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TAKEN BEFORE THE
INTERNATIONAL DEVELOPMENT COMMITTEE

PAKISTAN

THURSDAY 17 JANUARY 2013

SIR MICHAEL BARBER, ANWAR AKHTAR AND DR MATTHEW NELSON

DR EHTISHAM AHMAD AND DAVID STEVEN

Evidence heard in Public

Questions 59-104

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Oral Evidence

Taken before the International Development Committee

on Thursday 17 January 2013

Members present:

Sir Malcolm Bruce (Chair)

Hugh Bayley

Pauline Latham

Jeremy Lefroy

Mr Michael McCann

Chris White

Examination of Witnesses

Witnesses: **Sir Michael Barber**, DFID's Special Representative on Education in Pakistan, **Anwar Akhtar**, Founding Director, theSamosa.co.uk, and **Dr Matthew Nelson**, School of Oriental and African Studies, University of London, gave evidence.

Q59 Chair: Good morning, and thank you very much for coming in to give us evidence. Obviously you gave us an informal overview before we went to Pakistan, Sir Michael, for which we thank you, but now this is obviously formal. Again, to be formal, I wonder if you could introduce yourselves for the record.

Sir Michael Barber: I am Michael Barber, DFID's Special Representative on Education in Pakistan.

Anwar Akhtar: I am Anwar Akhtar. I work around human rights and development in Pakistan, specifically working with the British Pakistani community.

Dr Nelson: I am Matthew Nelson. I am a Reader in Politics at SOAS, and I focus primarily on Pakistan, with a bit of time in Washington with various think tanks.

Q60 Chair: Thank you very much. As I said, the Committee visited Pakistan before Christmas, and as you know we went to Lahore and met the Chief Minister and others. We looked at health as well as education while we were there. We were somewhat inhibited in terms of our freedom of movement, but at least we managed to get out and about a bit and see certain things. The questions will reflect some of the things we saw and heard. I will start by asking for your thoughts on what you think DFID's commitment to education in Pakistan should be trying to achieve. Obviously we have the broad Millennium Development Goals, including the levels of literacy. Should it be concentrating on getting primary children into school, or should it focus on technical skills? A lot of us said that was an issue: the quality of education and the lack of focus meant that it was not very useful. If you would like to get us started, Sir Michael, we could explore that.

Sir Michael Barber: Thank you. First, let me say that, as I am sure you know, Pakistan is a very, very important country for Britain. We have deep cultural, social, political and historical links with Pakistan. It is a place that is important from an economic and social point of view as well as security and other points of view.

Secondly, unless Pakistan is able to fix its education problem, among the many other problems it faces, it will not be—it cannot be—the thriving, successful Islamic democratic republic that we would all like it to be. Education is absolutely fundamental, and fixing some of those fundamental institutions of the State is crucial for Pakistan's future. If we turn that round, Pakistan 25 years from now could be exactly what I have just described: it could be a thriving economy, a democratic Islamic republic, playing a part in solving the problems of that region, which as you know are very substantial. I see education as fundamental.

As you say, Chairman, there are many educational problems. We have not met the primary school MDGs yet, or anything like; even the children who are in school are not learning enough. Then there is the whole issue of vocational and technical skills. The way I have seen it, and I think the way DFID have seen it, is that we should start by getting full access to primary education, making sure that that education is of sufficient quality to prepare children for the future. That does not mean in the meantime we should neglect technical and vocational education. A single aid agency cannot do everything, so we are focused there, but if there are things we can do that can help solve that technical and vocational education problem as well, so be it.

As you know, I think, from your visit, DFID and the World Bank are planning the next phase of aid to the Punjab specifically, jointly, and that programme will begin to move beyond primary education.

That is the background. I wanted to say at this point, Chairman, I am in the process of doing a substantial piece of writing on what we have been doing on the Punjab education reform, and when it is finished I will give that to the Committee. I would like to know from the Clerk at what time I need to get that to you in order to be useful to your inquiry, but when I have finished it I will give it to the Committee.

Chair: Do that. It would be quite soon, I would say.

Sir Michael Barber: Yes. I am just proofreading it now, so it is not far away.

Chair: That is fine. We have one other evidence session with the Secretary of State.

Sir Michael Barber: Okay.

Dr Nelson: I absolutely agree that Pakistan is an incredibly important priority for the UK, and within that relationship, education has to be emphasised, as it has been more in this programme than it ever has been before. However, having said that, I wonder about the prioritisation of various aspects of the education sector, and whether a whole system change focusing primarily on primary education in the Punjab needs to be the real focus, or whether some of the other avenues explored by previous large education sector reform initiatives like USAID need to be examined for their successes and failures very carefully.

One thing that they emphasised, which I do not think is primarily focused on in this project, is basic literacy, even outside primary education. Another thing that has not been focused on is secondary education, and I think secondary education deserves some special attention, because it contributes to the sustainability of any education reform initiative. If you are training a slightly more highly qualified group to work as teachers, you can then sustain a teacher-focused education reform initiative, and every successful education reform initiative emphasises teachers. I do not think that contingent of training has been emphasised quite as much as the primary education sector, and enrolments in that sector. USAID also tried to tap into Chambers of Commerce and businesses to encourage them to drive demand for technical education. They dabbled in some of the corporate philanthropy efforts to encourage training. That could be emphasised as well.

Q61 Chair: I do not know whether Mr Akhtar wants to comment on this. It was a point made to us more than once that there was actually a vested interest amongst the political classes in keeping the population uneducated, especially in rural areas, because that was the

way they captured their votes and held on to them. That is a pretty fundamental problem, which we probably had in medieval England, I guess. The difficulty is, how do you deliver if the people who ultimately are responsible for delivery do not actually believe in it?

Dr Nelson: If I could say so, it is the rural leadership that has that vested interest. The business leadership does not share that interest.

Anwar Akhtar: I would like to put some of this in the specific context of the diaspora; I might do that at a later moment, but on the specific question of priorities for DFID in terms of education, it will have to be a mixed approach. The sums of money that DFID is delivering and spending alone are not going to change Pakistan's existential educational crisis, so it is what can be achieved that is beneficial and helpful. It will also probably involve taking some risks. One of the key issues is the need to have a mixed portfolio working with the public and private sectors, and there are some challenges within that.

For instance, look at The Citizens Foundation, which is probably Pakistan's most efficient and trusted charitable welfare and education delivery organisation across the country, running in the region of 900 schools. If you were to scale them up to double or treble their delivery over five years, that is still wholly inadequate, and that is the best, most trusted private provider. There is a need to look at and engage with that, because even what is best in Pakistan requires some long-term methodical investment, bluntly outside the lines of delivery timetables that are driven by parliamentary cycles in Britain.

I also think there is an issue around top-end engagement with the high-achieving educational institutions, the professional classes, the business classes, the entrepreneurial classes, the mercantile classes, and again, relatively small sums of money targeting peer-to-peer partnerships with institutions in Britain and the west need to be engaged with. Often they do not get off the sketch delivery portfolio of organisations. There is a need to take some risks with quite small sums of money with institutions there. From my experience of working across all the agencies in Pakistan and multiple visits, there is an issue; it is very difficult, and I in no way want to be critical of some extraordinarily committed and brave staff in these institutions in Pakistan, but institutions get siloed.

Probably the most pressing thing to help stabilise Pakistan is a peace and reconciliation process with India. Civil society has a huge part to play in helping with that and address the issues you have raised about feudals and some of their pernicious activity in holding society back. There needs to be an investment in culture, in civil society and human rights, alongside education, through the prism of education work. There needs to be a much wider portfolio of smaller-scale activity that can deliver quite large rewards, alongside what DFID is correctly doing, which is attempting to improve literacy, which is by any standard a good thing in terms of addressing Pakistan's problems, and attempting to improve the efficiency of the sector in the Punjab.

Q62 Chair: I was going to say, as a final point, DFID have concentrated on the Punjab. Is that the right thing for them to have done? There was an official we met in Lahore who was from Balochistan, and he was complaining that DFID was not doing enough in Balochistan. When we were in Derby, we found—which is not untypical of the Pakistani diaspora—a lot of Kashmiris, who ask why we are not doing more in Kashmir. We cannot be everywhere, we cannot do everything, but are we right to concentrate not exclusively but substantially on the Punjab?

Sir Michael Barber: Let me just pick up some points from my colleagues here, and then answer your question. You have to demonstrate this somewhere, and Punjab is a good place to do that, and we are beginning to do that. We are also, as you know, beginning to do a similar programme in Khyber Pakhtunkhwa, which has many more challenges. For DFID to take on two big provinces is a very substantial commitment, and you cannot do this

everywhere. I want to make the point that what we are doing with the Punjab education reform is much more important than the content of that programme. The DFID money is a small amount, as you rightly say, Anwar, but it is leveraging the entire Punjab education budget. Although the DFID money is less than 5% of it, it is changing the way the whole Punjab budget is spent. We will do the same in KPK.

One of the most important things to do in Pakistan in education is demonstrate that reform is possible, that results can be delivered. Nobody in Pakistan in the echelons of the bureaucracy expects a programme to succeed. They have had so many decades of failure at this. I think I quoted a Russian Prime Minister last time I was here: “We tried to do better, but everything turned out as usual.” That is how most Pakistani officials think. We have to demonstrate results, and we are doing that. We have dramatic progress on teacher presence, student attendance, fixing the facilities, progress on enrolment, improvements in quality, including literacy.

Unless we can demonstrate success in a big programme, we will never be able to change these other programmes. The demonstration effect of what we are doing is as important as the intrinsic merits of it. That is the point I want to make. The Punjab is the best place to do that, because it is the biggest province; it has the biggest impact on the most children fastest, and if Punjab does it we will find that other provinces follow. It has big implications for the education programme in Punjab, for the education programme in Pakistan, and indeed for other aid programmes in Pakistan.

Anwar Akhtar: The work that I do is completely apolitical and cross-party, but I think it might be quite helpful to play back some comments that were given to me by an activist in Pakistan. He is someone who is very unlikely to have anything good to say about the ruling party politicians in Lahore, but clearly they see a threat from Imran Khan, and they feel a need to deliver and be seen to be delivering, and be seen to be giving value for public service and for the constituencies of Lahore. Within that there is an opportunity for leverage, and that is to be commended. If something is working in Pakistan, it is progress, for whatever reason; work with that.

On the issue of Punjab as a province, reforming Punjab is a smart move, but there is a risk of alienating other provinces, and whilst there is difficulty in engaging with other provinces, Karachi must be engaged with as much as possible because of the conflict issues there. What I would urge DFID to do is look to work with the civil society organisations and work with the diaspora organisations if you cannot do this yourself. Accept that there will be risks: two out of five things might fail, but three might work. That might be the equation you have to work with.

Chair: We will come back with some other questions.

Dr Nelson: Let me just jump in quickly on the Punjab. It is useful to keep a national perspective in mind, and a historical perspective. In Pakistan, of course, Punjab is the biggest, but it is also the richest, and so the provincial rivalries that we know so well from Pakistan will not necessarily be calmed by a special emphasis on Punjab. Even within Punjab, the districts that are lagging behind, Mianwali or Rahim Yar Khan and so on, are also the districts that are lagging behind in the current reform project. It is valuable to keep the relative resources of the different provinces in mind. Furthermore, previously when a rapid and large investment in education was made, by USAID between 2003-2007, they focused on Sindh and Balochistan, not very successfully. It could be that that previous focus led to a change of provincial emphasis, but the lessons from that previous experience are crucial.

Sir Michael Barber: Maybe if I could just get a couple of facts on the table here. One is, there is a big DFID programme in Karachi.

Chair: Unfortunately we were not able to get there.

Sir Michael Barber: Yes, but the Education Fund for Sindh is directly working with The Citizens Foundation and civil society to provide low-cost private education to children in Karachi, for the exact reasons that Anwar gave. The other thing is that DFID is focused on Punjab and KPK both. The Americans are focused, as you say, on Sindh and the World Bank also has a programme in Sindh. There is quite a lot of distribution. DFID can only do so much, and the demonstration effect is what is really important here.

Q63 Mr McCann: Good morning. My question is about education. Is part of DFID's plan in terms of its investment in education a belief that it will reduce Islamist extremism? If it is, is it working? Perhaps, Sir Michael, you are best placed to answer that question.

Sir Michael Barber: I would go somewhat beneath your question and then come back to it. I am about to make my 29th visit to Pakistan, starting on Saturday. The reason I have been doing that, and the reason DFID is investing money, and the reason I originally responded to David Miliband's request to get involved in this programme, which has since been supported by the current Prime Minister and administration, is that we need to make Pakistan a healthy, strong, successful, thriving economy, society and democracy. Yes, part of it is therefore to reduce the degree of terrorism and the security threat. I think you met the Chief Minister from Punjab.

Chair: We had a substantial lunch with him.

Sir Michael Barber: He always emphasises that until you educate people across particularly the rural parts of Punjab, some of the districts Matthew just mentioned, you will never be able to solve the terrorist and security problem. However, that is not the sole point of it. The point is to make Pakistan a healthy, thriving economy and democracy. While sometimes, when you look at Pakistan with all its many problems, it is hard to imagine that, I see a key part of my role—and I get a strong response from Pakistani officials on this—as creating the belief that the vision of a successful, thriving, democratic Pakistan really is possible if we do some of these things properly. Hopefully by fixing the education problem we will achieve those bigger goals and deal with the security problem as we go through. Is it working? It is too early to say, truthfully.

Dr Nelson: It is true at this point that we can say that the link between primary education and counter-radicalisation is a weak link. That is not at all to say that investment in primary education is not important for many of the reasons that Sir Michael has just mentioned, with reference to cultivating a livelier civil society and stronger democracy. However, I do not think we should kid ourselves by saying that the link between education reform and counter-radicalisation is direct.

Having said that, those who are interested in counter-radicalisation and education focus primarily on things related to the curriculum, what students learn. They do not focus quite as much on increasing enrolment or improving the administration of the education system, which is where this project, I think, is focused. Religious education and the religious education curriculum is an integral part of every school in Pakistan—Government schools, private schools and obviously madrasas. I do not think we should imagine that focusing on Government schools leads us away from a focus on religious education. They include a component in their Islamiat curriculum; even in their Pakistan studies curriculum they focus on religion.

I think that DFID should not shy away from the issue of curriculum, including religious education, but would have to do so with extreme sensitivity and a much richer knowledge base, linked to an understanding of education in other Muslim-majority countries. There are some organisations that have worked very effectively with religious leaders. The Asia Foundation works with local mullahs in Afghanistan, Bangladesh and so on. They also

have an office in Pakistan; that office has not focused on working with religious leaders as much, but I think that organisation can provide some information about how to carefully, slowly and systematically engage some of these incredibly sensitive issues, even in an educational context.

Anwar Akhtar: It is an extraordinarily difficult question. My work, and the work of my peers in the organisations we engage with, is campaigning around plurality and minority rights. We are involved in campaigns against minority religious organisations that have been attacked. We are very close to this, so I will give you a very blunt answer. I was quite struck by James Fennell's comments in the earlier session about Jamaat-e-Islami having a significant role in educational provision and curriculum development in Pakistan.

The reality is there is not one Jamaat-e-Islami. There are about 30, 35 or 40 different branches. They are extraordinarily disparate in their range, and within those groups, if I may just draw a crass, simplistic comparison with our experiences in Northern Ireland, there will be figures such as Gerry Adams, Martin McGuinness and Ian Paisley who will be part of a reconciliation and stabilisation process, and there will be difficult discussions. There will also be people who will never leave their sectarian agenda behind or engage with other communities.

It is a very difficult thing for DFID. We can all be grateful that Osama bin Laden has been taken out of the picture, and he cannot wreak havoc anymore, but one of the consequential impacts of using a health or education programme alongside a security intervention is the attacks on polio workers that we are seeing in Pakistan now, which is heartbreaking. We have to tread very carefully; certainly DFID need to be aware of this. The phrase they use in Pakistan is "ir NGO agendahe" and essentially that is what they use. What they mean is that it is a white, colonial, Christian agenda, and they use that against health intervention, education, minority rights.

The best thing DFID can do is support literacy, support women's education, and those steps have their own value and their own benefit. That issue and that question that you raise, sir, is an argument for civil society in Pakistan and diaspora organisations to engage with. There are organisations on the frontline leading that argument within Pakistan, and within the diaspora. Again, I come back to the emphasis of engagement with civil society, and empowering those organisations to have the arguments on their terms, and within their value systems and their narratives. It is something that I would urge all the agencies in Pakistan to engage with, because they are the organisations that have to deal with this.

Q64 Mr McCann: You have jumped on to the next point I was going to make. We will come back with a couple of final points, to which hopefully we can get short answers, but in terms of Jamaat-e-Islami, a witness stated in an earlier session that they have a great influence over the educational establishment. You have already commented on it; perhaps others want to comment on it and answer the question of what the implications are of this for sustained improvements in education outcomes? Does DFID have any relations with that group?

Dr Nelson: I am not able to comment on whether DFID has any direct relations with Jamaat-e-Islami; I suspect they do not have any direct and substantial links. With reference to the influence of the Jamaat-e-Islami on the education sector, and particularly the curriculum, their influence had a high point during the Zia-ul-Haq years, but some of the themes that people associate with the Jamaat-e-Islami have a very long history that is not confined to their influence. The Jamaat-e-Islami is particularly interested in emphasising the homogeneity of the Muslim community in Pakistan for the sake of promoting national cohesion. What this means in effect is a relative blindness to some of the diversity within the Muslim community: sectarian diversity, some of the regional diversities, ethnic diversities and so on. The

Jamaat-e-Islami downplays those, but as a consequence, in over-emphasising some of this unity, the groups that are neglected do not necessarily feel their voices are heard.

Therefore you have a blindness to sectarianism that leads children in school to have an under-developed appreciation of the fact that their community is diverse. The Jamaat-e-Islami is by no means the only voice articulating that perspective, but they do share that view, and one of the things we might consider important is an appreciation of the diversity in Pakistan, and that the curriculum reflects that. That perspective does not necessarily find space in the curriculum or the Jamaat-e-Islami's approach to it.

Sir Michael Barber: Just briefly answering your question, as far as I know DFID does not have any contacts with Jamaat-e-Islami, but I may not know. I certainly personally do not. When I look at Punjab, if you take 100% of the children and the schools they are in, 60% are in Government schools, about 40% are in low-cost private schools, and about 1% are in madrasas. The way I have thought about it is that I will try to fix the system, get the children in to school, get them learning something in maths, English, Urdu and science, and not even get into that debate. I am a white, former colonial person from a Christian country and that is a debate for Pakistanis to have among themselves, and for the Chief Minister and the other politicians to lead in Punjab as they see fit. I am trying to design in the elements that will help them to fix the basic system, and leave that wider debate to others.

Q65 Mr McCann: Two final points to add; perhaps you could encompass them all, because time is marching on. Are the extremists well-educated, and are we assured that none of DFID's money is getting to any of the extreme organisations? Perhaps if that could be coupled in one answer.

Anwar Akhtar: I am happy answer this one. I have to emphasise again that there is not one Jamaat-e-Islami. It is like saying there is one orthodoxy, or one orthodox sectarian element that represents a community. Jamaat-e-Islami's roots in Pakistan go very deep, and they are a *bête noire* for liberal, progressive, human rights and minority groups. It is worth remembering that their power predominantly dates from the 1980s, when they were on the right side of the Cold War vis-à-vis the militias in Afghanistan. We are talking about a network that the west helped in power, which is now wreaking havoc in Pakistan. Obviously the Pakistan establishment played their part.

Their presence is everywhere in Pakistan, but it is opaque, so in a way, DFID have to be mindful of their presence, but they are everywhere. They run madrasas, they are involved in schools, they have MPs. They are endemic within Pakistani society. You cannot just say, "There is a circle, that is Jamaat-e-Islami, avoid." If you want to do that, you probably cannot enter Pakistan. My assessment, from what I have seen of DFID as an autonomous individual, is that they have been very, very cautious. They are engaging on literacy and development and the schools programme, because bluntly it is not something DFID can engage with, because the backlash would be extraordinary.

Dr Nelson: Can I just add a factual point that I think is useful to keep in mind, about religious education? Religious education, as I mentioned earlier, is not strictly confined to madrasas. We find a religious education curriculum in Government schools, in private schools and in madrasas. It is extremely valuable, growing out of my own extremely detailed research over the last six years across the country, with thousands of interviews, to map what kind of education students receive. It is a mistake to look at full-time enrolment figures. Children routinely spend half of their day in a Government school, and then spend some time in a madrasa in the afternoon, or go to a madrasa in the morning, or call a mullah from the madrasa to their home and then attend another school later in the day.

To assume that there are spaces of religious education, which are madrasas, and then spaces without religious education, which is these other types of schools, is a factual

misconception. It is very useful to keep that in mind. It is also unhelpful to think that “extremists” are associated with a particular level of education. There is no correlation. We can find extremists with very sophisticated education here in London; we can find students with very little education, so again it is very difficult to draw a direct link between level of education and level of extremism, and we should avoid doing that.

Q66 Jeremy Lefroy: Good morning. Given that a huge amount of DFID’s budget in Pakistan—a considerable amount of money in any case, probably going up to more than £200 million per year—is going into improving education, what do you see as the risks that are involved with this programme, given past failures, or should we say less than successful outcomes, in other programmes? Do you think, for instance, in Punjab that the programme is too reliant on the current Chief Minister’s engagement?

Sir Michael Barber: It is a great question, and thank you for it. Over the Christmas holidays I was reading the new biography of Nelson. It is fantastic; I recommend it to everybody. On the eve of the battle of Copenhagen, he says, “I am of the opinion that the boldest course is the safest course.” There are risks in what we are doing, and I am completely open about that, but they are not as big as the risks of not doing anything. The risks of doing nothing in Pakistan are absolutely enormous, and if we can use some well-targeted aid programmes to build great relationships with Government people and civil society people to make big changes, that is the most important thing we can do.

We need to do it urgently, and with real pace and momentum, because the question I keep asking people in Pakistan is, “How long do we have to fix this problem?” Caution is much more dangerous than going boldly. We are really going boldly. I do not think there is any aid programme in the world where we are moving so fast over such a large scale as we are doing on the Punjab education reform, and it is because the problem is urgent. There are of course risks. One of the risks is that through the election period we will lose some of the officials who have been crucial to it; we do not know what will happen politically. Democracy is like that. We do not know who will come after the election and whether they will be committed, so there is a risk there.

There is a risk all the time of the pace we are moving at that we will make mistakes. I do not doubt that we will. We have had a great run; I hope we will keep having a great run. Then there are risks from outside the programme: Pakistan, as you know, is riven with crises. Even this week we have a warrant for the arrest of the Prime Minister, we have big demonstrations in Islamabad. There were several different terrorist incidents over the last week, and then there were the floods and all of that. There are risks from outside the programme that could overturn it.

The problem in Pakistan, as I see it, is that over many years, because there are so many things going wrong, and because of the lack of commitment among some of the elite, nobody does anything. They are waiting for the next crisis, whereas what we are trying to do is put in place a programme with very clear goals, and drive it whatever happens, so that when there is a dengue fever outbreak, I still go to Lahore; when there is a flood, I still focus people on the schools. Somebody has to keep that focus through. The Chief Minister in Punjab has been great, but political change and crises from outside the education programme, or mistakes we make inside the programme, are all risks. However, they are far smaller risks than the risks of doing nothing or going too slowly.

Dr Nelson: Rather than err on the side of boldness, I will cast a vote for some caution. There are some risks for the optics relating to DFID with an “all eggs in one basket” approach. There is a remarkable emphasis on Punjab so far—as Sir Michael has said, the focus on Khyber Pakhtunkhwa might be coming soon—and very close public ties to the Chief Minister, Shahbaz Sharif, more than any other figure. There is a risk that DFID will be seen

as simply playing into the Sharif patronage pie, with a very large infusion. Beyond that, focusing on a province, Punjab, that is well-off, relatively speaking, means that the relationship between some of the projects and the patronage machine of the Sharifs is difficult to ascertain.

I am sure every effort is being made to draw a distinction between that patronage process and this project, but historically, leading up to elections, we all know that judges and teachers at a local level are usually called upon by their political patrons to serve as returning officers and election monitors in the context of the election. It would be quite surprising if that historical pattern were broken in this project. We can probably expect that the large push for teacher recruitment will not be overlooked by the political calculations of the Sharifs in the context of any election that we hope is forthcoming.

Sir Michael Barber: Can I just make one factual point? 81,000 teachers in the last two years have been appointed in Punjab, purely on merit. Shahbaz Sharif has made some bold moves to take on the traditions in Pakistan. I am not saying any politician in Pakistan is perfect, but I think we will, through this programme, begin to make progress in breaking those patronage patterns you are describing.

Anwar Akhtar: I said earlier that you can be very, very critical of the Sharifs, because they are just as complicit and just as responsible for the failures of leadership, governance and transparency in Pakistan as previous politicians, but there is quite compelling evidence that one or two spots on their skins have changed. You have to work with the positives. It was a real shock for me to be told that by someone who is essentially a revolutionary socialist trying to bring about a revolution in Pakistan. It was a very neutral view that I pass on there.

The biggest risk for me is sustainability after the funding has gone, which is driven by western cycles. The risks are that it is easier to audit bricks and mortar, so we get lots of schools built but no-one to teach in those schools, and then they end up as grain silos. We have seen that before in Pakistan. An emphasis on teacher training at all levels, from basic literacy and numeracy in villages and rural areas to secondary, is crucial. It is the teachers that you need more than the bricks and the mortar: teacher training, teacher training. There is a need to look beyond basic definitions of education to support civil infrastructure.

Again, at the risk of being slightly parrot-like on this, the civil society organisations, the women's rights groups, the minority rights groups, midwives' education, all have a sustainability beyond DFID's cycle. More emphasis on that is needed. The emphasis is there in DFID's priorities; I would like to see it emphasised more in on-the-ground delivery, alongside the demonstrable progress that is being made in the Punjab.

Chair: We have quite a few questions and not an awful lot of time, so can we move it along?

Q67 Hugh Bayley: I was very taken by Anwar's last answer. Sir Michael, I am enormously impressed by your energy and your drive and your leadership, but over more than 30 years I have seen so many development projects that worked brilliantly when the money was flowing, and then you see piles of bulldozers rusting and dams washed away by the first rains. I have a horrible fear that you revolutionise the system as long as DFID is involved, and then it will crumble. What usually goes wrong is not the project itself, but the fact that the system is not strong enough to sustain it.

I made a note of Anwar's comments about the importance of improving teacher training and the importance of having a fan club for education amongst parents, women and so on, but what about the exam system? What about training education administrators? Does this programme need to be wider in order to be sustainable?

Sir Michael Barber: It is a great question, and I totally agree with you; what you are saying is a risk. One of the points I am trying to make all the time is that there are risks in

everything we do. The important thing is not to allow those risks to prevent you from getting on with it. I totally agree there is a risk that this might crumble in the future. I believe, however, that there is every reason to go for it, and there are lots of things we can do to prevent that crumbling. Indeed, the 90-page paper I have here, which I will submit to you in draft, answers that question.

First of all, teacher training is absolutely central to this. Secondly, we are not building a single school. We are getting Punjabi money to repair the schools, giving it to the parents, engaging them in exactly the way you would want to, to help them fix their schools, but no DFID money is building new schools. It is all about getting the system to work better. We do training for administrators: every six months I spend two days with the leadership of each of the 36 districts, two people from each district, with my colleague *Sar Vrusby* and others, and we train those people very specifically to do the roadmap, to learn the skills of analysing the data, deciding where to focus their energy, and getting the system to work.

That training is beginning, undoubtedly, to have an impact. This year we will have a big focus on teacher quality, and a much more refined drive for enrolment, using what we have learned over the last two years. Because we get monthly data we are learning all the time. A huge focus of mine is embedding in the Education Department, the Directorate of Staff Development and the other parts of the Punjab bureaucracy, as well as the district bureaucracies and building that capacity. It is not the general capacity-building that you hear about in aid programmes; it is very specifically focused on achieving the goals we have. I think we are doing everything to prevent that outcome, and to be honest if in two years we pulled out the DFID money—I hope that does not happen, but if it did—I believe this would still continue.

Let me just finish with this: one of the EDOs, the district leaders of the education system, said to me last time we did training, which was in December: “I have pain in every bone in my body, all of us do, but we want this to continue, because the roadmap is not just about education, it is about nation-building.” This is motivating people right through the system to change Pakistan.

Dr Nelson: About 10 years ago I was involved in a very large project on legal reform in Pakistan, around \$350 million that they tried to spend on things that are very similar to what this project involves. We had ministerial champions, we had an innovation fund, we had extensive media outreach, and, as you have said, as soon as the money stopped flowing, much of the project did too. There was also, in the context of USAID’s \$100 million education sector reform project, an intensive focus working with the Chief Minister of Sindh on a management information system to capture the data from the project. That was trumpeted as one of the key achievements of their relationship with the Chief Minister. That management information system lasted until 2007 when the project ended. I am extremely hopeful that this project will buck the trend, but I am withholding final judgment for a while.

What you said about recruiting teachers on merit is extremely important. As you have said, one way to ensure that that is possible is by focusing energy on the examination system, and making sure that it has integrity. It is notorious for its lack of integrity. The most important thing is not to encourage ownership of this project at the highest levels of Ministers, but to encourage ownership of this project at the most local levels, which is exactly why the energy spent on training people to capture data on their own is time well spent.

USAID’s primary complaint about their project was that there was a lack of internal assessment of the project as it unfolded. What we need are regular, honest progress reports that show, warts and all, what is happening—not, again, at the level of ministerial commitment, but at the level of local capacity, because that will sustain a project over time more than anything else.

Q68 Chris White: I think we all recognise that it is an enormous change management agenda you are looking at. With regards to the structural change, you have already responded through Mr Bayley's question to some of those points. How is this being communicated? How are parents understanding the roadmap? How are teachers understanding the roadmap, and how are the institutions understanding it? Is there a communication strategy going across all parts of the interested parties in educational reform?

Dr Nelson: Sir Michael can say more about that. My understanding is that there is a very elaborate media strategy associated with this, which is trying to reach down to the community level—

Q69 Chris White: Can I interrupt you for just a second? A media strategy is sometimes about a PR strategy, telling all the good things that are happening. How are people being informed?

Sir Michael Barber: We have done a number of things, and it is a really important question. It is part of the answer to Hugh Bayley's question as well, because the ultimate sustainability will come when the parents demand education of the kind we are trying to provide. A lot of the roadmap is focused on improving the supply side. What you are talking about is, "What are you doing to change the demand side?" I completely agree that is an important theme.

There are several things. A big part of it is devolving money to school level, to be decided at school level by parents. That is why we have been able to improve the quality of facilities really fast over the last two years. You get some engagement at that level.

On the enrolment drive, which happened in the second half of 2012 and on which we will build in 2013, we were getting the teachers and pupils themselves to go out into the communities and literally talk to the parents, one by one. "The schools are better, we have changed them in the last two years. Come and see how they are now. Get your child into school, because it is not the failing school that you remember from two years ago." That is the second thing.

Then, above and around it, there is a big media campaign, which DFID has been funding across Pakistan, which has been running for six months now. It began with religious leaders advocating the importance of education, and then went through a diagnosis of the problem. Last time I checked the data, which is a few months ago, 91 million Pakistanis had seen at least four of the adverts or messages that are going out through Geo television. We have been getting people like Jawad Ahmad, the famous Pakistani pop singer, and others doing songs. We are doing lots of stuff to try to address that problem, but in the end it is about how the roadmap engagement between the schools and the communities works.

By the way, one other thing: designing in vouchers, the importance of a low-cost private sector, building enrolment into that, is another way of engaging parents, and whereas the Pakistani elite have always had choice, now we are offering choice to the poorest Pakistanis.

Anwar Akhtar: Pakistani society, Pakistani parents want their children to be educated, and want their children to have a better life. The issue is that everything that has stopped Pakistan from being a failed state to date—the welfare organisations, the diaspora organisations, the civil society organisations—cannot cope with a doubling of population in two generations. I have spoken on the ground to numerous health workers and development workers, and they all say the same thing: "Karachi and Lahore cannot cope with a doubling of population. We are two generations away from favelas and shanty towns and no-go areas, and very difficult urban environments."

Thank the Lord that has not arrived yet, but it is not far off. I think the issue is how you respond to increasing urbanisation, population growth, a large mass of unemployed youth

facing either opportunities and education, and a buy-in to the human race, or utter alienation. The Pakistanis want to better themselves. The question is whether Pakistani society, the leadership and the world, can manage the difficult situation that Pakistan faces, because if it can manage it, Pakistan can have a positive future. If it is not managed, Pakistan could be staring into the abyss. It really is at a crossroads.

Q70 Mr McCann: One of the great advantages of being able to visit a country, when you are doing a report or an investigation, is that you can see firsthand on the ground what is happening. We visited schools, and we were absolutely impressed with a low-income private sector school; the teacher there was doing incredible work. Conversely, we were not particularly impressed by the state sector we visited. I will give you a couple of examples. One we saw was where the kids were being taught about “root, branch, tree, leaf” etc, and they were repeating the words, but when I looked at the children’s pages, outside that work, there was nothing there. They were empty, which did not convince me that it was not a set-up, and it did not convince me that the kids were not drilled before we had arrived.

In terms of the programme, I have some questions about its monitoring and evaluation arrangements. Who is verifying that the schools exist, that the number of pupils who are attending do? How are the schools selected that are to be visited and inspected, and are the schools given advance notice? Are repeat visits made? The irony is that in our system, schools are given advance notice of visits, which I think is wrong, but leaving that aside for a moment, I would focus on those particular points. We did come away from those visits a bit sceptical about what we had just seen.

Sir Michael Barber: It is important. We have thought very hard about the question. First of all, let me just say that I think this is the first comprehensive whole-system education reform strategy that incorporates the private sector into it, which would be consistent with your opening remarks. There is that whole Punjab Education Foundation programme, and that is helping to get children into school and get them better results, often at lower cost than in the state sector. Roughly you spend Rs6,000 per year on a voucher place in a low-cost private school, and Rs15,000 per year on a place in a Government school. We are the first strategy anywhere in the world to do that.

Secondly, the way the data system works is that there 900 ex-Army guys who have motorcycles, so it is very low-tech, apart from the motorcycle. Every month, every one of the 60,000 Government schools is visited by one of these guys. They are given a route each week. They never go back to the same school twice in the six-month period. They do not know the route they are going on, and when they arrive they are unannounced at the school. They collect data on a checklist. That data is assembled at district level and submitted to Lahore.

The December data, collected by the means I have described, was shown to me on 10 January, and by next week it will be back out in all the districts. Next week I will sit with the Chief Minister, and we will use that data from November and December to see what worked and what did not work between November and now. It is a remarkable data collection system; to get monthly data on key indicators across Punjab is a pretty remarkable thing. Again, there is no other scheme in the world that does that.

Is it perfect? Absolutely not, but do we check when we see oddities in the data? Yes, we do, in the same way that a sophisticated exam agency would check unusual blips in the data, to see if anything odd had gone on. We do that, and in a certain small number of cases, officials have been moved from districts where we discovered that they were falsifying the data in some way. We have done everything we can to prevent corruption. On my own visits, I have had exactly the same experience you describe. Twice in the last year I escaped security minders and literally turned up at schools unannounced.

I found a couple of schools that had not done anything as a result of the roadmap, but of the 10 or so schools that I visited on those visits, you could see the difference in eight of them from a very low base to a bit better. I am not claiming they were good, but in some cases I could see the teacher guides being used, I could see the facilities had been fixed, I could see that something was beginning to happen: the teachers were there, the student records were there. There is improvement, but it is from a painfully low base, and on my announced visits, it is exactly the same experience that you had.

Q71 Mr McCann: This is a supplementary. Given that we saw some really good work going on in the low-cost private sector, would that not lead you to the conclusion that that is a better place to invest?

Sir Michael Barber: Yes. You have roughly 20 million children in the Punjab, and about 10.5 million or so—the numbers are a bit vague—are in Government schools, and about nine point something million are in low-cost private schools. Part of DFID's funding is going to the Punjab Education Foundation, which is expanding fast. What we are doing this year is building the capacity of the Punjab Education Foundation to go through another big expansion.

The voucher scheme has 140,000 kids on it currently; we will have 150,000 by April this year, and then we hope to double it in the next two years. That is pretty rapid. We are doing what you are saying, but we have to check with all those schemes that the foundation has the capacity to prevent corruption, and all the other things that can undermine any scheme in that part of the world. We are working on the resilience of the PEF right now, so that we can do a doubling of it in the next few years.

Dr Nelson: I absolutely agree that investment in private education is worthwhile, but there are two concerns. First, the regulation of the private sector: if the State does not have sufficient capacity to regulate its own public schools, then expending that capacity to regulate private schools very carefully is difficult. Second, of course, is scaling up. The private sector, as you pointed out, with The Citizens Foundation and the Punjab Education Foundation supporting it, is moving towards 150,000 students, and doubling that to 300,000 students, but I point out that there are 20 million students to think about in the Punjab.

I cannot agree more that monitoring and evaluation of the project, both in the private sector and the public sector is crucial, absolutely crucial. One-off visits, unannounced, collecting quantitative data, are extremely important, but I also think that monitoring and evaluation needs to consider long-term stays with particular schools to watch the process taking place, doing qualitative research to understand the process of change, as opposed to just measuring through occasional visits and benchmarks. A combination of evaluation techniques—routinely overlooked, I must add, in the development sector—would be extremely advantageous.

Q72 Jeremy Lefroy: In that case, is there evaluation of these statistics? Do you have hard evidence and proof that they are roughly right?

Sir Michael Barber: One of the things I learned in the four years I was in Downing Street, running the delivery unit for Tony Blair, is never to rely in demonstrating success on one data set. There is always a risk. The 900 guys on motorbikes are all checked, and periodically we go to a district and check whether what we are seeing in the returns stands up. In fact, last week my team rang, randomly, 40 schools to check the data that had come into Lahore, because it had improved again, and I said, "We had better just check this is a real improvement," and we got good feedback from that. We do that on a routine basis.

We also have several other data sets now. One is an enrolment survey done by Nielsen every six months, which has shown progress. That ran in December 2011, June of

last year, December of 2012, and it will run again in June. That is completely independent of the Punjab Government, and that is showing progress. We want it to go faster, but each time the enrolment figures have improved.

We had a visit from ICAI, who sent teams out to look at things and check all these data systems. As you have seen, that report is very positive, and DFID have funded the kind of evaluation that Matthew was just speaking about, from a consultancy. They have not published their report, but they have fed back to me, and again that was positive. We are using several different data sets to check. The data we are getting from the guys on the motorbikes is good enough to manage the system, to make adjustments, and to keep the strategy going. It is not absolutely perfect. I do not claim that. But it is the best data system that has ever been created in this—

Q73 Chair: So there is no risk of headteachers trying to buy their data? A headteacher might say, “How much will it take to get the right return?”

Sir Michael Barber: For all I know that may happen on some occasions, and that is why the guy on the motorbike never goes back to the same school twice in a six-month period, and does not know the route until the day he gets the route. It is not a perfect place, but we have tried to prevent those elements. We are absolutely confident it is good enough to make decisions about management, about whether each district is doing well.

Q74 Jeremy Lefroy: Is there any engagement with parents? In the school that we visited, a private school set up recently for brick kiln workers’ families just outside Lahore, we were impressed by the engagement of the parents, and therefore they would provide some form of third-party quality control.

Sir Michael Barber: Sorry, are you talking about in the Government schools?

Jeremy Lefroy: This was the private schools. I am talking generally.

Chair: We did meet parents at the Government school as well.

Q75 Jeremy Lefroy: We did, but it was particularly noticeable in the private school, where these families were really engaging with the education system for the first time.

Sir Michael Barber: Obviously the whole voucher scheme, and the other two Punjab Education Foundation schemes, all of which affect private schools, do have that, and in the Government schools I was mentioning, we are devolving budgets for repairs—basically, facilities—to the school level. That money is spent in dialogue with the parents. Getting the teachers from the schools to go out into the community as part of the enrolment drive is a key part of the next step. We are trying to have that engagement at every level.

Chair: You have said yourself that you have concentrated on getting children and teachers to turn up, but obviously there are issues about what they are doing when they are there.

Q76 Hugh Bayley: First, could you let us please have a copy of the form the motorcycle driver fills in, if necessary with your translation into English, and shall we say the December returns? The second question I would ask is: this kind of data collection is usually quite good at collecting quantitative data, and you have given us figures of 1.5 million extra children in school, and 81,000 merit-based appointments of teachers and so on. To what extent do these returns capture data on quality and how much the kids have learned?

Sir Michael Barber: I think I have submitted the December data and the returns to the Committee Clerk, so I think you already have that. If you look at the data that I have submitted and you want more, just let me know.

Q77 Hugh Bayley: And from that it is implicit what data is collected?

Sir Michael Barber: Yes, it should be pretty clear, but again, just come back to me if you want more than I have given to the Clerk. The monthly monitoring does not get into the teacher quality issues, but there is a fundamental part of the roadmap that has, first of all, written lesson plans for every lesson for every year, and secondly has reformed the textbooks in maths, English, Urdu and science, and they will all be available in schools from April. The textbooks and the lesson plans will go together. Thirdly, in the last few months we have piloted a new approach to teacher quality. There are 4,000 people called DTEs, District Teacher Educators, run by the Directorate of Staff Development. We are adjusting their role significantly so that they become coaches and mentors to the teachers, so every teacher in the Punjab will have a monthly visit from a DTE, a trained District Teacher Educator, who will watch a lesson, give a couple of very simple pieces of advice and then a month later come back and say, “How did that work? Was the conclusion to your lesson really effective? Here is a way you could make it better”—that kind of simple advice, or, “Could you have set the problem up differently? Try this.”

We have piloted that in two districts, Kasur and Layyah, in the last three or four months. It has gone really well. To check the outcomes of that, to check that teacher quality is turning into student results, some time during 2013 we will introduce a sample assessment across the province of all students. The PEC exam that runs for Grade 5 and Grade 8 shows improvement, but we do not entirely trust those results, for various reasons. We will get an independent team—we have not commissioned it yet—to sample a representative sample of students in the province later this year, to check that the teacher quality pilot is affecting student outcomes.

Q78 Hugh Bayley: My experience as a politician is that parents, generally speaking, like tests and like to know how their school is doing—certainly more educated parents. I listen to teachers and I am told that that is too crude, but the absence of that is too sloppy. If there are problems with what sounds a little bit like a Pakistani SAT, problems of confidence in how accurate a measure it is, how free from corruption and bribery it is, and so on, would it not make sense to supplement—again, thinking about sustainability five or 10 years ahead—if necessary, to go back to DFID and say, “We need an extra £50 million to reform the exam board”?

Sir Michael Barber: Yes. That is a serious question; the exam board does need looking at, and that is on the agenda but we have not really focused on it, simply because we have so much on. However, I do think that is important and I would like to see the PEC exam being strengthened, but faster than that we could get a sample, which will at least check that we are making some difference. I totally agree with you.

Hugh Bayley: I think that would make sense too.

Dr Nelson: What I think it would be helpful to see from DFID is a very astute assessment of how the existing exam system is politicised and undermined, so that if a new exam system is introduced, it can address some of those problems. The question is not, “What questions are on the exam?” The question is, “How do people manipulate the results of said exam?” I think that a very astute political assessment would be extremely helpful from DFID. Similarly, when it comes to revising textbooks and then teacher training manuals and curriculum manuals, textbook boards are notoriously captured by political interests. I would be very interested to know exactly how that textbook reform process went, because it has been a nut that other development agencies have been keen to crack, and have failed to try, given the challenges associated with that. Similarly, textbooks and education in general in Pakistan are provincial matters, and so the content of the textbooks varies from province to province. We would be interested to know exactly how the success of a textbook reform

process in Punjab might translate to some of the other provinces, because they operate in little islands in terms of educational content.

Q79 Hugh Bayley: Can I ask one last question? I think it should probably be addressed to Anwar. It is important to enrol girls; we saw a lot of girls enrolled in schools. We saw some very proud mums advocating the need for their girls to get education at both state school and private school. I did not see many disabled children. What can be done to reach out and say, “Disabled children are children too, and they deserve an education”? What can be done, Anwar, to reinforce the power that women have to advocate for their daughters in a society where often women are marginalised?

Anwar Akhtar: Sometimes things are not always what they seem. It is very different in the tribal regions and Khyber Pakhtunkhwa, but one of the things I have been struck by is that one of the significant barriers for girls going into higher education and university is income. A family is losing an income stream or a potential dowry. The way through that may be something as simple and straightforward as a voucher scheme or some kind of support. There is a risk to that: I remember at my school, dinner tickets became a currency, so you would have to make sure it was non-transferable and audited, but that is one very positive thing that can be looked at.

Q80 Hugh Bayley: That was in the UK, was it?

Anwar Akhtar: Yes. Burnage High School, Manchester, for the record. In terms of school books and curriculums, there is a huge row in civil society about what is on the curriculum and how school books are written, and what is taught. They are all small organisations, voluntary organisations. The Simorgh women’s organisation in Lahore is exemplary, run by a woman called Neelam Hussain, who is a heroic individual, but it is one woman in a labour of love, with volunteers, who has actually been rewriting schoolbooks, and campaigning for empowering girls’ education.

There are issues about language and mother tongue, because a lot of children are being taught in both Urdu and English, but they might be Balochi or Sindhi or they might be Sylheti speakers from Sialkot. DFID will not be able to resolve that. Only civil society, arguing their way through the issues of how Pakistan develops as a society, will manage those issues.

On disability, it is very difficult: bluntly, unless you are from a wealthy family you will have very little quality of life. There is an extraordinary organisation called Karachi Vocational Training Center, which runs a disabled school in Karachi for 400 or 500 children, providing a level of western-standard provision in terms of training, in terms of health and self-confidence. They are getting young people mentored and into work in manufacturing, restaurants or backroom, and giving them some life value.

However, I think something like 800,000 children in Karachi have learning difficulties or physical disabilities, and the majority of them are trafficked on the streets. That is the blunt reality. KVTC, like The Citizens Foundation, is the one model that is trusted, that works, that the diaspora send their money to. We could do with 30 of them, but it is run by an extraordinary individual. You need to get that individual to train another level of management to develop that out.

I would like to say something about the diaspora’s role, but I think that might be later.

Chair: I will bring in Pauline Latham, because we went to Derby, which is next door to Pauline’s constituency.

Q81 Pauline Latham: We went to Derby, and often the diaspora support for Pakistan is family-based, when they visit, or ad hoc. It adds up to much more than the DFID

projects that are being spent out there. Do you think there can be any synergy or link between the two?

Anwar Akhtar: We have to go back to basics, because the potential leverage is huge, and it is game-changing, for multiple reasons—cultural, political, strength of voice, level of access, level of engagement, the authority the diaspora has. It might be helpful if I just give you a little bit of history about the nature of the British Pakistani community and the relationship with Pakistan. The vast majority of British Pakistanis are from small towns, villages, rural areas: a great many are from Mirpur, but I am not sure it is 80%. My own feeling is it is nearer 55%-60%, but that is a significant body.

Bluntly, among first and second-generation British Pakistanis, the best and the brightest would go into law, or finance, or medicine, or engineering or business: God knows how many surgeons and physicians we have. There were certain careers that first and second-generation immigrants do not look at, because it is about developing a wealth base and your stake in society. Most people did not go into international relations, media, arts, culture, development, theological leadership, religious leadership. We have not been able to engage with Westminster or DFID or the NGOs in a way that is changing with this generation.

Alongside that, something like 4,000-5,000 people fly out to Pakistan in the summer. That is a huge leverage. The problem has been that Southall or Rusholme or Derby or Handsworth tend not to engage with Islamabad or Lahore or Karachi, so there has not been a relationship with the big development organisations, the big delivery organisations or civil society. That is changing with this generation, and it is a major change. I see it in my work. British Pakistanis are, by human nature, interested in their parents, their grandparents, their heritage, their ancestry.

Pauline Latham: They are very concerned about the bribery and corruption, and they have said to us that they would volunteer to help DFID monitor what is going on out there. We are really short on time, so a history is not actually what we need. We need to know what you think now.

Chair: The fact that they are in rural areas is an added bonus.

Pauline Latham: It is.

Anwar Akhtar: That is changing because of the language access, and there is now a professional class who are engaging with DFID. You have the work of the Samosa, the British Pakistan Foundation, Human Rights Commission, The Citizens Foundation: all the issues and areas that you are talking about, which you have difficulty accessing, and frankly may not be able to access without causing alienation or conflict: we have a direct access.

The issue is, what I have been arguing for does not quite fit DFID's role, and does not quite fit the British Council's role or the FCO's role. It is peer-to-peer relationships with universities and cultural organisations, networking, business support facilitation. If I had a magic wand, I would love to see a small sum of money in the scheme of things, four, five or six million, over a two to three year period, for specific peer-to-peer engagement between the institutions Pakistan needs to grow, and diaspora organisations who can also talk some blunt truths to power.

That needs some trust-building. I am working with theatre organisations to bring women's theatre groups to Britain. The British Pakistani community will turn up en masse as an audience for that, and their voices need to be heard. We do work to profile the Edhi Foundation—

Q82 Pauline Latham: Yes, but it is not about bringing people here, it is about doing stuff in Pakistan. You will only bring a few people in a theatre group. There are millions and millions and millions of people out there not getting a proper education, being ripped off by

the tax people or people at the airports when they come in and out. There are a whole host of things that the Pakistani diaspora told us they would like to help with, but I do not see, or they do not feel, they are being used by those people—certainly not in Derby.

Anwar Akhtar: The point I am making is that there is an opportunity. I find it stunning that DFID do not have an information stall at Manchester airport, saying, “These are our projects; go and have a look whilst you are in Pakistan,” raising awareness. The British Pakistani community wants to engage. The reason I am talking about the events we do here is that people are engaging. People trust Human Rights Commission Pakistan; they will send their money. People trust the Edhi Foundation; they will send their money. People trust The Citizens Foundation; people trust Islamic Relief. People are engaging. Bluntly, those organisations are not enough to stabilise Pakistan. What I am trying to say is that you need to work with that channel of activity, and engage DFID. My recommendation would be not just DFID—I know I am going outside the remit of this Committee—

Chair: No, no, that is fair enough.

Anwar Akhtar: —but the British Council have a huge role to play, as have the Department of Trade and Industry. British Pakistanis will also invest in water, in health, in education; many are doing so individually. There is a whole set of issues about remittances and how you link that up, but my point is that engaging the British Pakistani community in these issues ipso facto engages Pakistan, because 4,000 fly out every week. I am quite a belligerent individual by my background and the work I have done. I have had to kick through doors to get our organisation here, and I have been very lucky with the network that we have been able to access, but we are one small group of people with strong connections with civil society in Pakistan.

You need to show Rusholme and Oldham and Bradford and Bolton that route. It is not about dual loyalties. People are interested in their heritage and their ancestry, and they want to engage, and they can act in Britain’s interest. It is about trade, education and culture, but my recommendation is you need to develop the space for peer-to-peer relationships at a very small level, and also at a larger level, and take some risks.

Q83 Chair: I think that is a very helpful line of questioning for us to put to the Secretary of State when we have her in front of us. Pauline completely echoes the view, and we have seen in other countries as well that the diaspora have a connection and they want to do things. You are absolutely right that it does not fit the formula, but I think what you are recommending is that we need to perhaps get Government to think a little bit out of the box and find a different way of doing it. I think that would be helpful.

Anwar Akhtar: There is huge goodwill—much more so than in the relationship with America, which is fraught. It is to do with the people who fought in the wars, the Commonwealth, despite the difficulties of Partition. I sometimes think Britain overlooks that there is a level of goodwill to Britain that is very helpful. Finally, the British Pakistani community now is something like half the British Muslim population, so there is a broader set of issues about positive engagement and citizenship that Britain can lead the way in.

Q84 Chair: Thank you very much; thank all three of you very much. It has taken a slightly longer time than we anticipated, but I think it is very important to have the evidence you have given us. I would say to you, Sir Michael, that you have been honest with us about the challenges and the mechanisms; we all want to see it succeed, and in particular to see it succeed institutionally, so that on the day you are not there and the Chief Minister is not there it does not all come to a stop, but has a momentum carrying it through, because you have rooted it in the community. We wish you success in that, although we note Dr Nelson’s reservations.

Sir Michael Barber: Can I just say two things: first, what you said is very important, because the biggest barrier to success with anything in Pakistan is the barrier in people's heads. People do not believe they will succeed, and we have to change that. Your Committee's Report can be very influential. I completely agree with what you say about making it institutional. I will submit the 90 pages I have here when I have had a proofread. It may not be finished, but I will submit it in time for your Committee.

Chair: Thank you.

Dr Nelson: I would just say that attention paid to monitoring the project at a very detailed level will help sustainability more than anything else. In terms of speaking to your constituents about accountability and bringing some integrity to the process, particularly in education, emphasis on the exam system is also attention well spent.

Chair: Thank you very much indeed.

Examination of Witnesses

Witnesses: **Dr Ehtisham Ahmad**, Visiting Senior Fellow, Asia Research Centre, London School of Economics, and **David Steven**, Senior Fellow, Centre on Institutional Cooperation, NYU and Brookings Institution, gave evidence.

Q85 Chair: Thank you for coming in. I appreciate that unfortunately we have lost one of our panel because of the situation in Islamabad at the moment, which is obviously unfortunate, but we welcome the two of you. Again, if I could ask you to introduce yourselves for the record.

Dr Ahmad: Ehtisham Ahmad. I am a Senior Fellow at the Asia Centre of the London School of Economics. I spent a career in the IMF and at the end of that career I represented the Government of Pakistan on the Board, and negotiated the last programme, the 2008 programme, for Pakistan. I resigned at the end of 2009.

David Steven: I am David Steven; I am a Senior Fellow at the Centre on International Cooperation at New York University, and also a Senior Non-Resident Fellow at the Brookings Institution.

Q86 Chair: Thank you. The last session was looking specifically at the education reforms that DFID is funding, but this is putting it in a broader context: the whole issue of the tax base and governance. In other words, how can we deal in Pakistan in ways that will contribute to positive transformation? I wonder if we could start on the issue of tax collection, which is a very low base. It is a standard question you will hear from a British taxpayer: "Why should British taxpayers be putting money into public services in Pakistan when those people who can afford to pay taxes in Pakistan are not doing so at all, or at anything reasonable?"

Why do you think the tax base is so low, and how do you think it can be changed in a way that will ensure that the revenue base starts to expand? People want to support Pakistan; it is not a recognition that DFID and UK assistance is not needed, but we also want to see a parallel commitment within Pakistan to match that funding.

Dr Ahmad: If I may start, the traditional answer is that it is due to corruption. That is a very simple answer. There are many causes for the low tax base. Part of this is due to the split bases between income, which go back to the Government of India Act of 1935, where agriculture was given to the provinces and states, and the political economy was such that they stopped collecting income from agriculture. This goes back to 1935. The split bases on

the sales tax, again, was a legacy of the 1935 Act, and neither India nor Pakistan have corrected it. Pakistan, until about the mid-1980s, relied very extensively on trade taxes, and of course behind the trade taxes was a very protective structure for industry, so you had 60-year-old infants—you still have 60-year-old infants—that would not survive were it not for various handouts.

The problems arose around the mid-1980s; of course there was a lot of pressure on the Zia administration from threatened sanctions, and the first serious attempt at tax reform took place in the mid-1980s. The Chairman of the Tax Reform Commission, a gentleman by the name of Mr Qamar-ul Islam, said “You cannot fix the tax system in this country without fixing the administration,” and that the then CBR was the most corrupt of institutions in the country. This was in 1985, and unfortunately, or fortunately, he did not see what was yet to come. Corruption was seen as a key element, but corruption together with the strategy of protecting industry. These people who are industrialists were essentially the same households or clans as the landed aristocracy, so it is essentially rent-seeking groups in the country, which are not taxed on agriculture and receiving goodies on industry. It was a perfect example of exploitation.

The IMF programmes in the 1990s pushed Pakistan towards more efficiency and openness to trade, and the idea was that you would reduce tariffs and replace tariffs and sales excises with the value added tax. The value added tax was brought in, under duress, in 1991, and it operated essentially more like an excise, which bore on industry as a charge. In order to offset this charge, they gave exemptions. The exemptions were key in keeping the vested interests in industry going, and the key condition in the 1993 ESAF programme was the elimination of the special deals for industry under the GST. The PPP Government in June of 1994 told the IMF that all these exemptions had been removed. We are now in 2013, and these exemptions still remain,

Q87 Chair: In the evidence we have been given it says that 768,000 people paid tax—

Dr Ahmad: Indeed.

Chair: —and only 270,000 have paid tax every year for the past three years, and yet there is information of two million people who, on the Revenue’s investigation, should be liable for tax and have not paid. They are talking about having an amnesty and saying, “Just give us \$400 and we will wipe the slate clean.” This suggests to me that there is no serious commitment.

Dr Ahmad: Absolutely. I fully agree with that. What you have is a dodge. The 2008 programme to the IMF was predicated on the removal of these exemptions. This was a commitment of this Government. They took this commitment to the Friends of Pakistan, the newly-elected Mr Zardari in September 2008, with a programme that said, “If we are going to stand on our own feet, take our tax/GDP ratio from 9% or 10%”—in the mid-1980s it was 15%, and the idea was that they would go from 15% to 20% in order to meet the Millennium Development Goals.

They have gone from 10% to 9% because they got rid of the tariffs, but by getting rid of the tariffs they did not bring in a proper value added tax. They did not do it for two reasons. One is that the information that is generated through the value added tax chain can then be used to collect the income tax, so there is a huge resistance to fixing the holes in the value added tax, largely because it provides information on where your incomes are. This was a commitment by this Government to fix the value added tax, which they took to the IMF and got \$8.5 billion, which was then increased to \$11.5 billion.

They had absolutely no intention of doing it, because these exemptions, which are given by the tax administration without reference to Parliament—because the tax administration can override a tax law and give exemptions to Mr White or Ms Whitley by name on income taxes. That is a very useful tool for making friends and influencing people. You have a Government that is still interested in making friends and influencing people, and the tax/GDP ratio, instead of going up to 15% of GDP, which was the plan under the IMF programme, has actually gone down by 1% of GDP.

Q88 Chair: I do not know whether Mr Steven wants to add a comment.

David Steven: I will just come in on that very briefly. The tax take is not especially low, if you look at comparable countries. It is 9.3% of GDP; India is at 9.7%, China 10.5%—

Dr Ahmad: I would disagree with that.

Jeremy Lefroy: We were told India was 15%.

Dr Ahmad: China is 19%.

David Steven: I am taking the latest World Bank data.

Dr Ahmad: That is not correct.

David Steven: What I see is that Pakistan is at an intermediary stage. The political settlement is incredibly weak there. I think the Government would have fallen if it had stuck with the IMF plans. It does not have the authority to push through the kind of reforms. There are some people within the Government who have tried, I think, quite hard to push, but there simply is not the political power at the moment. I think what we are beginning to see is the rise of a middle class in Pakistan. We are beginning to see the rise of a stronger political lobby that wants taxation reform, but this is a process that will take a considerable period of time, and it will not happen overnight.

Dr Ahmad: I would dispute the numbers that my colleague has just given: the Chinese tax/GDP ratio is now 19%; India is 16-17%.

David Steven: I was referring to the figures.

Dr Ahmad: Yes. I work on both countries very extensively. Pakistan has gone down from 15% of GDP, 14.7% in the mid-1980s, to 9.7%. Last night I had a call from the Deputy Chairman of the Planning Commission. He said, “We do not know what we are spending on education and health, but we know that in global terms, on education, health and investment, it is not more than 5% of GDP.” You cannot run a public healthcare system, a public education system, on essentially less than 1% of GDP each, because the rest is public investment, a large part of which is wasted.

You have essentially an implosion of the public sector, and of course to some extent foreign donors, charities and the private sector are trying to fill the gap, but it is a huge hole. Indeed the National Finance Commission of 2008 gave more revenues to the provinces, so they could move to a global spending limit of around 9% of GDP at the provincial level for education and health. That has not happened. They gave them more money, but the proportion of the total take went down, so there is a shortfall of around 4% of GDP over what was anticipated in the National Finance Commission in 2008-2009.

What the provinces are facing is a set of unfunded mandates, because they are unable to finance the previous responsibilities before the 18th Amendment, which has given them the entire responsibility for education and healthcare, and they are unable to finance that. They have gone back to the Federation and said, “We cannot do higher education, we cannot do wide-area healthcare, because there is no finance.”

Chair: We heard some of the problems on the health budget.

Q89 Chris White: My question is really, if the revenue collection does not pick up, what impact will that have on the economy and society?

Dr Ahmad: What is happening is that the Government has been financing its spending through borrowing, through the banking system. Initially it was borrowing from the Central Bank, but now it is borrowing by issuing Treasury bills, and they have a captive market. What that is doing is crowding out private investment, because it is sucking up the liquidity, and that will lead to an implosion in the banking system as well as an inflationary overhang.

Now in order to address that, clearly they have to fix the tax system. There is no alternative. With deference to Mr Stevens, there is no reason why Pakistan has to be stuck at 9% of GDP. Most middle-income countries, like India and Sri Lanka, are in the 14% of GDP range, which is where Pakistan was. You do not want to go back to restrictive trade regimes, which means that you have to fix the rent-seeking in the GST in particular, but also the income tax. They have the information on who spends what, where they live, their lifestyles, but they are not using that information effectively because combined with an amnesty, the incentive structures for anyone to pay tax are completely absent.

You are not taxed on income from agriculture. You are not taxed on any foreign income remitted by the banking system, under the income tax laws. What is happening is that they are purchasing dollars, which are flowing across the border from Afghanistan. These dollars go in suitcases to Dubai and flow back, again, through the banking system, and it is tax-free. What you have is a money laundering system that benefits quite a few important people. If you do not fix this, or if the Government does not fix it, and you continue to have a pressure on public services, the increase in militancy and dissatisfaction with the state of affairs is only bound to grow. I think this will be manifest not only in demonstrations in Islamabad, which we are seeing now, but also in increasing regionalism.

Q90 Chair: Mr Steven, you started your first remarks by saying that you did not think the tax collection base was too low.

David Steven: No, I do not think—

Chair: I was going to say, could you clarify how you feel about that particular comment?

David Steven: To go back to the point on what is going to happen, I suspect there will be another IMF programme at some stage. I look at this from a political point of view: it will happen either just before, or just after, an election. Really at that point everything is back in play. I hope that Pakistan gets through the election first, and then a new Government will have some hard decisions to make. However, we are not going to move from the situation we are in now towards a perfect tax system very quickly.

What we need is a tough IMF programme, one that tries to protect the social expenditure that is under an enormous amount of pressure, but does so in a way that provides some kind of political route whereby the new Government can stay in power and get agreement. Pushing too hard, too fast, getting to the point that we nearly got to before, where the Government collapses under the weight of trying to reform the tax system, will not move us forward. I see this as a complex political economy problem, and one that I desperately hope we do not have to deal with before the election comes along.

Q91 Chair: I suppose you are implying the old story, “It is much easier to have to do difficult things because the IMF told you than to try to do them internally.”

David Steven: It is also easier to make these hard decisions at the beginning of a parliamentary term, rather than right at the very end of it.

Dr Ahmad: If I may come in on this point, there were five IMF programmes in the 1990s, and each one of them failed on the issue of fixing the holes in the tax system—

David Steven: And subsidy reform.

Dr Ahmad: —and subsidy reform, and a number of other macro conditions, but the key element was the failure of tax reform, if you look at the common issues across. I have a paper that I have submitted to Louise, which looks at the history of IMF programmes, but it has to be seen in the context of the very complex relations with the United States. The IMF is quite often seen as a substitute for the United States coming in and bailing out the Government, and the Government has used this as a lever.

What you have had is continued failure. In the 2008 programme the Government itself—this Government—said, “We are going to stand on our own feet. We are going to fix the holes in the tax system.” Because of what seemed to be the ownership by the Government of the programme, the IMF put no conditions, apart from, “Okay, you have said you will do it. Submit the law to Parliament. Just submit the law to Parliament by the end of 2009.” My last day in the IMF, representing the Government of Pakistan, was the last day of December of 2009. The Finance Secretary called me up and said, “We have submitted the law to Parliament.” They had not.

The law that was submitted to Parliament was full of holes and was designed to fail. They had no intention of doing it, and had never had any intention of doing it, partly because, as this excellent report shows, of how much tax these people pay. Only 20% of the Parliamentarians pay income tax. Only 20%. Most of them do not even have tax identifier numbers. There is no filing by the President. What are we talking about? Who are we going to elect who will enforce taxes? Unfortunately Mr Tareen did not come here. He pays more tax than all the Parliament combined. Rs17 million was his tax payment in 2011. It is a pity he is not here.

Chair: It is. That is precisely what we had in our brief, that he was the one who set an example.

Q92 Pauline Latham: We were told by a Minister while we were there, “People do not expect to have to pay tax here.” Unfortunately, our taxpayers in this country are paying tax, and we are sending a lot of it to Pakistan. If it were not for the radicalisation and the problems that there are in the north, particularly, but all over generally, I would be saying, “We should not be spending any money there until they sort their tax out.” However, we cannot do this, because there are other problems, but that is what they are relying on.

Dr Ahmad: Indeed. That is the political economy leverage that is being used.

Q93 Pauline Latham: But also the World Bank are being inveigled into this. Everybody who supports anything to do with Pakistan is being drawn in because of the other problems, but really they need to sort themselves out. If there is a new Government, by which I mean a new party in power, they almost ought to sacrifice themselves by sorting it out in their first five years. They would not get back in because of it, but it would give the powers that might come in in the future the opportunity to say, “It has been done, and we will not change it. They have fallen by the wayside.” But what political party would ever agree to do that? That is really what needs to happen. Somebody bold needs to come in, tackle it, do it, and sustain it.

David Steven: Can I come in on this? This is what development increasingly looks like. We hear a lot about how the poor are increasing in middle-income countries. They are increasingly in very weak and fragile governance environments, and DFID’s essential challenge is working out how to be effective in these environments. The Prime Minister has lined himself up behind a commitment to try to end absolute poverty within a generation. That will mean that every time we are successful—i.e. the number of poor people decreases—the remaining poor are in harder and harder places to achieve change.

We heard a lot about the programme in Punjab just now. I do not think DFID has an education programme; it has a governance programme, of which education is the route to try to achieve governance change. That is a pure governance programme in Punjab, and for my mind it is one of the most imaginative, radical and well-implemented programmes that DFID runs anywhere—that any development agency runs anywhere in the world. The frontier for DFID is not trying to do that in Punjab, though I think what it is doing there is incredibly valuable. It is what it is then going to try to do in harder places like KP.

We heard that the programme is very Punjab-focused. I hope I do not get another figure wrong, but I believe the KP programme is worth around £350 million into education over six years, into a much, much, much weaker, much more fragile, much more corrupt environment. Can we begin to achieve the same kind of changes that we are achieving in Punjab in a place like KP? Can we use that as a tool for convincing Pakistani elites that it is worth forging a new political settlement, the kind of thing you are talking about, where a Government sacrifices itself to make change? Can we do what Sir Michael was saying—persuade people that change is possible, and therefore build the will for change? I think it is possible, but it is a very, very big ask for DFID.

Dr Ahmad: Can I come in on the question you raised—how donors, bilateral and multilateral, fall in behind protecting a Government that is on their side? The World Bank had a \$135 million project on tax administration reform, started before 9/11, but once 9/11 came and the floodgates opened, what happened to this project? It was meant to create an arm's length tax administration. DFID was a co-financier of the TARP programme. It was \$135 million. It was meant to create an arm's length administration, a bit like the reforms in the United Kingdom, where you bring together information on a functional basis.

You take the information from the GST, you cross it with the income tax—those are the two that match best—and you have a system that is arm's length. You remove the direct contact from the taxpayer to the tax administrator. This programme started in 2002-2003. In 2004, Musharraf took out entire productive structures from the GST, for domestic zero rating anything that produces goods for export—a domestic zero rating across the board. Why? Because they were still faced with unproductive industries, and this was a backdoor way of giving them subsidies, which would not be noticed by the WTO.

There was the World Bank sitting there; there was DFID; there was the IMF. Did anyone say, “Why are you taking these industries out of the GST?” Nobody said a word. They stopped audit in 2004. How can you run a tax administration without audit? Nobody said a word. The World Bank said nothing. The first peep out of the World Bank was in January 2008, when they deemed this programme non-performing. I was asked to come in and take a look at this programme by Mr Dar, who was the Finance Minister in 2008, in the spring.

There were two issues, which you may want to consider. One is that this programme had not even started the functional integration of the tax administration. You were then eight years into the programme, which had failed, and they had not even started. I asked about the conceptual design on the IT. They said, “What conceptual design?” \$135 million. Then Mr Dar said, “Why don't you fix that?”

Let us look at the balance sheet of the Government. Here is a Government that is going to the IMF for \$8 billion. Do you know how much money they have sitting around in commercial banks, idle? \$10 billion. That has gone up, and nobody can touch it. They do not have a Treasury single account. DFID has done a lot of very good work, but the tax administration reform—again we use DFID monies to try and fix it, but there was no willingness on the part of the administration to hand over what are essentially rent-seeking opportunities. It is not just the politicians who are corrupt, but also the tax administrators.

Q94 Jeremy Lefroy: Following on from what Pauline has asked—and I very much share her reflections on it—it seems to me that in most developing countries, on the one hand we encounter a certain amount of desire to increase the taxation revenue, with obvious resistance internally, particularly from wealthy people who are still trying to avoid it. There is a tussle going on, and there is a gradual increase in the percentage of GDP that is collected. We think of Burundi for instance, where work there, despite a lot of resistance, has resulted in an increase in tax revenues across most of sub-Saharan Africa.

In Pakistan you have total collusion between Government authorities and business, so there is nowhere, apart from the exception of the gentleman who could not come here today, and maybe some others, where there is any willingness to push this matter forward. That brings us to the problem that Pauline has eloquently outlined, which is that on the one hand we are saying that Pakistan is a country in which Britain must be engaged, and we have every right to be engaged—and I would agree with Dr Steven about his characterisation of the education programme as more than just education, but as governance—but on the other hand we are telling our taxpayers, “Pakistan is not making any effort to increase its self-reliance.”

In effect, we are saying that DFID’s programme in Pakistan is completely different from pretty much every other country, because we have no stick with which to say, “You must increase your revenue collection, or there are consequences in reduction.” We are effectively saying, “This is too important, and we cannot afford not to do the work.”

Dr Ahmad: This is a very fundamental point. If donors, both bilateral and multilateral, take the argument that you must bail out Pakistan regardless, then there will never be any incentive for them to fix it and stand on their own feet. Remember Mubarak had a similar problem. On this issue of the Treasury single account, every country has a Treasury single account. Egypt and Pakistan do not. In Egypt there were 35,000 bank accounts with 15% of GDP at the time that they went to the IMF. Pakistan still has over 10% of GDP in Government bank accounts that are not utilised.

They are there for certain reasons, and if you are going to say, “Fine, let us have business as usual,” business as usual sometimes does not last. You can play along, as you did with Mubarak and as the Americans did with the Shah, but there are consequences. You do not have to look far to see the consequences; they are quite stark. It is effectively a collapse of the State. To some extent the private sector is doing good work, but it is a drop in the bucket.

Q95 Jeremy Lefroy: How would we put pressure on them, given that, to my mind, we cannot accept this, as UK taxpayers and as DFID? It is not acceptable that the status quo remains in taxation. How can we put pressure on them?

Dr Ahmad: They have to do it. There is no question. You cannot have an IMF programme that says, “Never mind about the tax reform.” How is the IMF Board going to turn around and say the same thing to Greece, if Greece is going to ask for the Pakistan treatment? You cannot have another IMF programme. That is where the United Kingdom, and the Germans—maybe not the Americans, because they may have different interests—have a voice in the IMF. No programme without tax reform. Blame it on the IMF, but say, “You are spending 20% of GDP, without a substantial programme on education and health. This is military; this is interest payments; this is security-related expenditure. You are collecting 9% of GDP.” DFID money is a tiny amount in comparison. Without the tax reform, they are digging themselves deeper and deeper into a hole. They should see it, and a number of people are seeing it.

Q96 Chair: Does the 18th Amendment have any interplay here?

Dr Ahmad: Yes.

Q97 Chair: Is there not a possibility that the provinces will say, “You have asked us to do things, you have given us the power, we do not have enough base; we should raise taxes in our own provinces”? Is there not a possibility that people might be more willing to pay taxes to them?

Dr Ahmad: Yes, but the problem is that they do not have a tax base to levy it on. This goes back to the Government of India Act 1935, which split the bases. What will you get out of taxing agriculture? It depends on pricing, and it depends on your ability to verify people’s incomes in agriculture, which is very difficult. There are some very good estimates, and the estimates are that maybe you will get 0.5% or maximum 1% of GDP. That does not do the trick.

Pakistan’s VAT efficiency is 25%, the lowest in the world. Sri Lanka efficiency is not great and it is not New Zealand; New Zealand has 90% efficiency; Sri Lanka has 45% efficiency. If you get to Sri Lanka levels—and this was during the civil war—you collect another 4% of GDP, and that is what Minister Tareen tried to do, but he could not deliver.

Q98 Jeremy Lefroy: So we are talking about the GST and VAT. They are obviously quite different systems. We are talking about the GST.

Dr Ahmad: The GST is the same. They are different names for the same tax.

Q99 Jeremy Lefroy: With respect, they are slightly different. They are sales taxes, but—

Dr Ahmad: No, it is the same tax. They are just different names. The VAT is called GST in New Zealand, Australia and the Subcontinent. The idea of the GST was to remove cascading, make things more efficient, raise revenues without discouraging exports. This was indeed the strategy behind the entire IMF/World Bank reforms from the 1990s through to the 2000 period. You can go back and bring in trade barriers and very high trade taxes, but that is reverting, and will lead to low growth. There is no question about that.

If you insist on raising revenues through inefficient means, you will destroy the productive capacity of the country. The only instruments are fixing the VAT or the GST, and going after rich people who have money. The trouble is that they happen to be the same groups. If you lie down and say, “Sorry, we cannot handle that, therefore no tax reform,” that is not the solution. As a Pakistani, I would not accept that. It is really unconscionable for this country to be stuck at 9% of GDP because the President does not want to be taxed, or half the Parliament—this is an excellent report—do not pay taxes.

The GST had been stopped in its tracks, firstly because it provides information on where the money is, and also because of the ability to go after people who are sitting in Parliament. The second issue was that the Government wants to retain the power to bribe, which is the terrible system of the SROs, the Statutory Regulatory Orders, whereby a tax administrator, the Head of the Federal Board of Revenue, can override Parliament and give goodies to A, B and C.

Let us go back to 2011, when the IMF programme was collapsing. They said, “Okay, you cannot take a Bill through Parliament.” This was my good friend Adnan Mazari. He said, “I understand you cannot get this Bill through Parliament, but why do you not remove all these SROs that you have issued without reference to Parliament?” They did not do it. Not only that, they issued something called SRO 283, on April Fools Day 2011, which has 185 items. One SRO has 185 items, and number 185 is really classic. It says, “Anything that we have forgotten is also covered.” It was the mother of all SROs, at which point the IMF programme collapsed. Plan B was, “You cannot go to Parliament; get rid of these things you have brought in by a stroke of the pen.” They had no intention of doing it.

Chair: You have made your views about tax clear; I think that has given us a clear steer. We will move towards governance aspects as well.

Q100 Chris White: Could you just explain your views on how DFID's governance programme is working?

Dr Ahmad: I am less familiar with the governance programme, but let me make a couple of comments on some aspects of governance that I have worked with. What you see is Government spending that nobody knows about. The Government of Pakistan has no idea what is spent on health and education in the country. If you look at the statistics provided to the IMF GFS, it is only central Government spending on education, which is nothing. If you are looking at the IMF's international report on spending on health and education, you cannot find it—at least not for Pakistan.

Where is it? In addition to this TARP programme, there was a similar programme called PIFRA, which was a Government financial information management system. They spent another \$135 million and they do not have numbers on education. It is guesswork. In 2009 I was still in Government and we needed the spending on education and health to take to Tokyo to the donors' conference. They did not know the numbers. They came up with numbers that were greater than the budgeted numbers. They said, "You cannot have spending that is greater than the budget." They said, "Why do you not just put the budget?"

They spent another \$135 million on how to track the spending. The problem with that is that the budget classification is not tracked. It is not in the chart of accounts, and it does not provide consolidated information on who is spending what. There is no information on where the money is, so you are not able to track the flows of money. There is no Treasury single account. DFID has spent a lot of money and time on a medium-term expenditure framework. That is needed; it is good; but if you do that to the exclusion of being able to track what you are allocating, what you are spending, the results of your spending and where the money is, it is useless.

In Pakistan, you do not know where the money is going; you do not know what is happening to the money; and you do not know how much money there is. Other than that, everything is fine. The question is, in a situation like that, when you talk about governance what are you talking about? This is a situation that of course goes back to the vested interests. It is not in their interests to be too transparent. It is not in the interests of the current Prime Minister, who uses 10% of the investment programme to build roads to his village, bypassing the Development Committee. This was just two weeks ago. The Planning Commission Deputy Chairman told me that he was horrified.

Q101 Chair: Is that why he is under arrest?

Dr Ahmad: He said, "I had to do it." This is the system. You have hardly any public investment; you have 5% of GDP on public investment, health and education; and what is investment? It is what is used for essentially electioneering. You have a good programme, the conditional cash transfer. Unfortunately it is called the Benazir Income Support Programme, and it suffers from what my good friend Pranab Bardhan calls clientelism. It is not stolen to the extent to which previous conditional cash transfers were stolen, but this is the mechanism—which is funded partly by DFID—to make friends and influence people. This is the re-election campaign of Mr Zardari, which is funded by DFID. Well done. To some extent it works.

Q102 Chris White: Is there anything to be optimistic or hopeful about?

Dr Ahmad: Not without fixing the tax system.

Chris White: And it all comes back to—

Dr Ahmad: It all comes back to the tax system. It comes down to accountability and responsibility. If you have a devolution, as they did—initially it was Musharraf’s devolution—everybody just applauded: DFID, the World Bank and the Asian Development Bank were beside themselves with glee. You finally have decentralisation. It was not decentralisation; it was a means to get around the political parties in the provinces. It did not make clear what you have and how you spend.

I am coming back to your question about decentralisation. If you do not have a tax instrument you cannot get accountability. At the margin you must link what you spend with what you tax, and that does not exist in Pakistan. That was not clear. What do the districts do? How do they raise their money? It is not clear. They should be in charge of the property tax. Local government should have property tax. That is the norm everywhere. It is the norm in this country. It is the norm in the United States. It is not the norm in Pakistan. No proper tax handles, so a portion of the GST on services is not an appropriate tax handle for the provinces.

David Steven: Looking at DFID’s governance programme, I think the central analysis is that Pakistan has gone through a whole series of losses of democracy. Each time democracy comes back, it comes back with pretty much a clean slate. The military come in, they have a period where they are more effective and more efficient, and then gradually they erode and destroy the institutions, so you come in with pretty much nothing, and you begin the patient process of building it back up again.

In terms of optimism, I think if Pakistan gets through this election and gets through another term of democratic Government, you will begin to see the potential for change to begin to happen. You are beginning to see green shoots, new institutions beginning to develop that are more effective and more powerful. Despite all the problems with BISP, I would put BISP in that example. When you go to Karachi, I have no idea within a factor of 10% or even 20% how many people live in Karachi, but through BISP we know exactly where the poor families are. We know the names and addresses, GIS details, of every poor family, and it is stamped on the mother’s NADRA-issued Identity Card.

We are beginning to get quite sophisticated, targeted data about poverty. We heard a little bit about the Punjab Education Foundation, a public-private institution. That is by far the most impressive new, or newish, institution in Pakistan. It educates, I believe, 1.1 million children. It is an education system roughly the size of Switzerland. It is a whole-country-sized education system that is run alongside Government and uses public money to fund education in the private sector. It has superb governance standards and exceptionally good information standards. They can pull up a picture of every child they are educating, and show the school record. They have very good measurement standards.

We are beginning to see these institutions emerging. In terms of the time for putting pressure, with respect to my colleague next to me, on tax, it was too early in the last IMF programme. There is a window of great opportunity after the next election. I hope the World Bank will be tougher in what it does. I desperately hope the IMF will not listen to the US again, and will be tougher in what it does, but this is a long and patient process.

You have to look at DFID’s governance programme along two lines: one, specific programmes that it labels governance, which I think is a relatively small part of what DFID does, and two is the mainstreaming of governance into all the other activities. The social sector programmes, as I said before, are essentially governance interventions. The fact that we have somebody like Sir Michael sitting next to the Chief Minister and trying to drive that as a systemic reform throughout the whole of the provincial government system, the fact that we are beginning to try to do that in KP, is a completely different way of looking at governance. It is more mainstream, it is more political, it takes more risks, and it is more

aggressive in trying to achieve more change more quickly than we have generally seen in the past.

It is often resisted by the donors for precisely that reason. It makes the World Bank quite nervous, because they are hoping that change will happen sometime in the next 20 or 30 years rather than today. I have often been a harsh critic of DFID. I would not say its programme in Pakistan is in any way perfect, but I think it is in a very difficult political economy situation, in a fragile democracy that honestly might not be there in two or six months. That would be a disaster for the country. It is beginning to achieve the process of change.

Q103 Chair: That was the general comment we heard: “This is the first Parliament that has finished its full term; we are moving into an election; can we have a second term?” Obviously what is happening right now in Islamabad is not very encouraging, but we have to hope they will get it through. In that context, DFID has set itself an objective of getting 2 million more people to vote in these elections. Is that a realistic thing for DFID to achieve? You have said you think the education programme is good governance, and you want there to be proper international pressure to get the tax system sorted. Is getting more people to vote something that DFID should be attempting?

Dr Ahmad: It will be a function to some extent of what the choices are. If you look at the choices throughout the 1990s, you had election after election, interrupted by people from within the civilian administrations who could not stand the fact that the political parties were essentially making money for the election process. The focus of the political parties was to rebuild their war chests, which had been depleted during the military years, apart from putting money away in their pockets.

That is why the Benazir Government was dismissed by her own man for corruption and rent-seeking. If you have a situation where the choices are the same, and the same lot show up, with no possibility of significant improvement in living standards or governance structures, then people will be turned off from the election process. Hopefully what you now have are honest people like Tareen and others—I am not a member of his party, I am apolitical—who come up and stand, and say that you want to make sure that everyone who wants to be a Member of Parliament is accountable before he is a Member of Parliament: “Have you paid your taxes? Please put them up,” then you have a proper choice.

David Steven: On this specific question I am not really clear whether the numbers are realistic, but I think DFID is doing important work in trying to strengthen the election system. That is potentially leading to more people being in a position to vote. If you look at the broader UK effort and the work the British Council is doing on the next generation, trying to raise the profile of this as a youth election, if you look at the money going into promoting the education roadmap as a big media event in the run-up to the election, beginning to create pressure around an issue that really matters to people and is very close to people’s lives, and if you look at the work the High Commissioner and his team are doing, you begin to see that the UK is doing valuable work in trying to create an atmosphere where more people will vote in the election, and where the election is potentially—though I do not want to exaggerate this—going to have a richer issue focus than it would otherwise have done. That is important work. I would urge you to talk to the British Council and look at the work they are doing on these issues.

Dr Ahmad: The election is probably the core, I think.

Chair: Thank you. I think we are going to run out of time and we will not be able to continue. You have made your views very clear about the tax system, and I think we will reflect on that, both in terms of the UK and the international community. Clearly we are in

transition, and what happens in the next two or three months will be crucial to the context, but I think the point is that the start of a Parliament, if we get one, is the right time to take the difficult decisions with international engagement. I think you have the mood of the Committee. It is very difficult to explain to British taxpayers why we should put our taxes there when the elite are not paying their share. That has to be said, I think, very explicitly.

Can I thank both of you? In particular I realise that you, Dr Ahmad, have come back from Mexico to give evidence, and you have delayed leaving, Dr Steven. We appreciate the fact that you have adjusted your diaries to enable you to give evidence to us, and we thank you very much for it.