SOME ISSUES OF GOVERNANCE IN PAKISTAN

by

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ABSTRACT

In this paper, governance is defined as the manner in which power is exercised in the management of a country's economic and social resources for development. "Good Governance" is then synonymous with sound development practices. Vital reforms for public expenditure may flounder if accounting systems are so weak that budgetary policies cannot be implemented or even monitored; if poor procurement systems encourage corruption and distort public investment priorities. This only illustrates a broader point; good governance is central to creating and sustaining an environment which fosters strong and equitable development. Governments play a key role in the provision of public goods. They establish the rules that make markets work efficiently, and they correct for market failure. In order to play this role, they need revenues, and 'agents' to collect these revenues. This in turn requires systems of accountability, adequate and reliable information, and further, efficiency in resource management and delivery of public services.

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INTRODUCTION

Governance is generally conceived of as the exercise of economic, political and administrative authority in the public and private spheres to manage a country's affair at all levels to improve the quality of life of the people. It is a continuing process where divergent opinions and desires are satisfied through compromise and tolerance in a spirit of cooperative action for the mutual benefit of the larger whole. It has three dimensions: one, the political regime; two, the systems and procedures for exercising authority; and three, the capacity of governments [World Bank 1994, UNDP 1997, OECD 1995, and Commission on Global Governance 1995].

This paper discusses only a few of the underlying legislative and administrative factors which have contributed to mis- or mal-governance in Pakistan. It also contains what we consider to be the minimum action needed for improvement. This is what we see as both pragmatic and implementable, subject however, to the political will for reform. It is, in essence, our view of what ails Pakistan in three basic elements of governance: one, decentralisation to the local government level; two, the implications of corruption and corrupt practices as an impediment to good governance and as a cause of the failure of institutional structures with particular reference to the process of planning; and finally, the social and economic costs of mal-governance.

Senior politicians and government officers are aware that the machinery of government has contributed to the present state of affairs. Further, the management of the resources available to the federation centrally and to each of its provinces has not been sufficiently strong to obtain the best value for money. Honest and diligent officials are frustrated with systems and procedures which are cost ineffective; the populace is faced with a political and bureaucratic system which is not accountable and is not responsive to need; the entrepreneur is faced with a set of policies which contradict each other, are counter productive, designed to assist in increasing corruption and are as constant as the changing winds. In short, to achieve economic growth and to improve the quality of life of its people, Pakistan and its constituent provinces must bring about a radical change in the way in which they are governed and managed, particularly with reference to macroeconomic management, political volatility, public administration and adequacy of institutional capacity.

GOOD GOVERNANCE[2] - A CONCEPTUAL FRAMEWORK

The foundations of 'good governance' rest on the principles of freedom - of thought, of speech, from persecution and from hunger; equality - all persons have the same rights; equity - no person is discriminated against; justice; honesty and transparency[3]; and accountability. Philosophical tracts and religious texts are replete with the definitions and examples of governance - both good and bad. The concept of 'good governance' has not emerged from outside mankind's experience throughout the ages. It is based on lessons from history which records both the downfall of nations resulting from bad governance, and also lessons of how nations have risen to great heights as a consequence of 'good governance'. In recent years, the concept of governance has been evolving from, considered by some, the narrow definition used by the World Bank as 'the manner in which power is exercised in the management of a country's economic and social resources' to the broader definition adopted by the Commission on Global Governance as 'the sum of the many ways in which individuals and institutions, public and private, manage their common affairs' [World Bank, 1994 and the Commission on Global Governance, 1995].

Good Governance in the South Asian context, and more so in the context of Pakistan, has to go well beyond 'good' politics or even the creation of a 'decent' society. It must enable the state, civil society and the private sector to enhance both social development and economic growth as a means to greater human development and increased levels of human welfare.

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[2]Since the World Bank has coined the term it is appropriate to go by their definition.

[3]For instance "*Justice must not only be done but must be seen to be done*"

There is general consensus among planners and economists that the best mechanism to sustain growth in the future is to ensure effective governance. This may be realised through reforms in civil services, improving the capacity of institutions to frame coherent policies and ensure their consistent implementation over time, improving tax and fiscal administration, developing suitable measures for legal recourse, increasing the role of the private sector, decentralising public effort, devolution of fiscal powers, improving resource mobilisation at all tiers of government and controlling unproductive public expenditures.

All of these fall within four broad areas, namely,

1 ***legislative framework*** which sets the boundaries within which institutions, agencies and agents can operate and therefore addresses issues related to devolution, discretion and accountability,

2 ***institutional capacity*** which identifies the ability of institutions, agencies and agents to identify policies, ensure coherence and coordination and ensure compliance,

3 ***efficiency*** which addresses issues of resource generation, expenditure planning, expenditure control, regulation and overall public administration to ensure the most effective use of resources, and

4 ***management*** which addresses issues related to the proper use of systems and procedures and the mechanisms used for the development of the infrastructure and the delivery of services by ensuring that there is an equitable and transparent access to goods and services and protection of public interest from private intrusion.

Within the area of legislation a number of issues need to be addressed. The allocation of responsibilities between various tiers of government is enunciated in the Constitution and in a large body of legislation. However, except for a few areas no clear-cut allocation of responsibilities is specified where more than one tier of government is involved. While the principle of such an overlap is implicit, that is, the highest tier being responsible for overall policy formulation and coordination of the activity across lower tiers and these tiers are responsible for actual implementation, this is nowhere clearly stated, even though a number of functions are best performed at the lower tiers of government: because of the need to interact with beneficiaries. Because of this lack of clarity, functions (assigned legislatively to higher tiers), are improperly addressed, fragmented between tiers, replicated across tiers or are not undertaken by default.

The link between maximising benefits from investment in infrastructure and the provision of services, on the one hand, and the involvement of the beneficiaries in the process from start to finish has been demonstrated around the globe. This is the principal and basic tenet for the implementation of the Social Action Programme with a view to achieving the best value for money. While this is an explicit statement of the federal government, legislation and mechanisms to ensure that such participation is built into the process has not yet been devised adequately. Further, these are services delivered by the provincial governments, yet they have not "*bought in*" to either the Programme or its philosophy with the degree of commitment which was needed to ensure its success. To ensure that this objective is attained, the required mechanisms need to be designed and tested before the legislation needed to ensure this, is drafted and enacted. One such mechanism could be the employment of Non-Governmental Organisations in the process. The involvement of NGOs in the development process and making communities aware of their rights and responsibilities has been developed to some extent, but is largely manifest as case studies or in isolated pockets with the help of bilateral donor agencies. However, this needs to be studied in depth to draw lessons for replication, generally using a mix of public sector funds and private sector entrepreneurship.

A small but rapidly growing segment of the population's view of legislation in Pakistan is that all legislation is passed without adequate drafting skills resulting in lacunae which may be used for access to pecuniary benefits by vested interests. Moreover, there are built-in provisions to legislate without recourse to legislatures (make rules and regulations), powers to set aside any mandatory requirement, waive any mandatory prohibitive provisions either "***for the public good***" or "***in the public interest***" without reference to any elected controlling body of individuals and/or the ability to report on actions

ex-post. While these have been included to mitigate extreme cases of hardship, in reality, however, these have tended to be used indiscriminately for personal gain.

In addition, discretionary quotas for access to infrastructure, services and economic opportunity provide rents to the chosen few at the cost of the larger body of civil society with disastrous costs to the exchequer. These lead to distortions and inefficiency in public institutions and are seen to be a major avenue for corruption. The first objective should be the removal of discretionary quotas followed by removal of discretionary powers from the entire body of legislation. At the very least the power to circumvent mandatory requirements and set aside mandatory provisions should be made transparent by requiring all such actions to be taken by a decision of a committee of elected representatives drawn from all shades of opinion and only after public hearings. While this would delay the process of development, it would, nevertheless, ensure equity, transparency and accountability - the cornerstones of good governance.

Even though legislation may exist for an efficient and transparent allocation of responsibilities in public administration, unless institutions have the corresponding capacity, no change may be forthcoming to ensure that efficiency is the basic objective of development and delivery of services. The public institutions in Pakistan generally are today faced with a multitude of shortcomings. There is a skill shortage for identifying and enunciating coherent and coordinated policies; the prevailing work ethos discourages officials from ensuring compliance; systems and procedures are outdated; mechanisms to ensure coordination exist but are not implemented - in Pakistan meetings of the secretaries' committees have not been held for years on end; there is continuous interference in day-to-day management by vested interests; staff is inadequately trained both *ab initio* and subsequently on-job because of the very short-term assignment to posts and rotation between skill needs; staff selection, posting and promotions neither are merit based nor linked to individual skills - thus the constant matching of round pegs in square holes; and the incentive structure is designed to penalise the performers.

Central to the creation of institutional capacity is the effective decentralisation of functions. This means that financial powers, administrative authority and commensurate responsibility must be given not only to lower echelons, but also to lower tiers of government, particularly at the local level, within a tight regulatory framework. The current practice of requests for supplementary grants would, therefore, have to be replaced and the current powers to authorise expenditures in excess of budget allocations would need to be exercised in the same manner as the budget allocations itself, that is by the legislature in assembly through a process of dialogue "***ex-ante***".

But decentralisation is not a panacea for resolving Pakistan's perennial crisis of governance and underdevelopment. When practised successfully, it has the potential of contributing to a more people centered framework of governance by decreasing the distance between citizens and the state, enabling the government to be more responsive to local needs and to make better use of scarce resources for basic human priorities. If decentralisation simply transfers power from the capital to regional and local elite, it will fail to empower the people, and infact, exacerbate the crisis of governance to new levels.

Civil service reforms need to be introduced to make the public official answerable for his actions. The only notable reform, to date, was the introduction of 'lateral entry' into the civil service implemented in 1973. Ostensibly, it was a measure designed to enhance the professional quality of the cadre; in reality, it was only to become a powerful means of political influence. The current status of "***permanent non-terminable***" employment must be replaced by a system where the inefficient or the corrupt can be weeded out within a short time frame. Staff skills need to be developed to use modern management techniques. Mere attendance at courses operated by civil service training institutions does not constitute training. Civil servants must be required to show absorption of training skills by results in tests and examination, and this process should be very frequent. This should help in weeding out the incompetent and constantly improving the skills of those considered for retention. With greater reliance on the private sector for the development of infrastructure and the provision of services, large public sector employment is unjustified. The objective should be to, at least, reduce overall public sector employment to a third of its current size in the immediate future.

Efficiency can be achieved in a number of ways. One may be the use of appropriate mechanisms which ensure the greatest value for money. Other ways may include pro-active legislation (rather than retro active) ensuring target-based management, or through the use of information to analyse shortcomings and suggest ways to improve. Yet others may be the use of regulatory mechanisms which ensure that private sector provision of services and development of infrastructure does not create rents for the vested segments of society. The use of information technology through the development and implementation of standardised procedures and forms, across the board access to information, standardised data and information bases and inter-connectivity could be the cornerstone for change.

While private sector participation can to a large extent overcome a number of shortcomings in the development of infrastructure and in the provision of services, unless controlled and regulated it could lead to situations of monopoly, oligopoly and restrictive trade practices. This would result in excessive rents accruing only to the few agents involved in the process to the detriment of the disadvantaged. The legislative framework establishes the boundaries within which the public-private partnership can take place. However, these laws will need to be translated into a workable and transparent regulatory framework. While some regulatory agencies exist, they deal largely with matters related to the corporate sectors and are only now beginning to address issues related to the environment. Most of the existing institutions are manned largely by staff without the knowledge and understanding needed to adapt to a rapidly changing operating environment and the systems and procedures which could generate the mutual trust between the two agents - the regulators and the entrepreneurs. However, in other agencies where skills are available, staff are drawn or have retired from the very agencies they are required to regulate, thereby working in a situation of conflict of interest.

The international trade and finance environment is expected to continue to favour the industrialised nations. There is a need to ensure that in the dealings with the international community, rank professionalism only is used in negotiating concessions and access. The current method of using the services of the better trained generalist bureaucrat to oversee and lead all such exchanges has been seen to be counterproductive in the past. Representation of the private sector on most such occasions has been conspicuous by its absence. Pakistan needs to adopt a strategy which has been shown to be successful by the newly emerging industrial states, such as Malaysia, Singapore, Taiwan, Korea, etc., that is, the induction of the private sector from inception to implementation. In other words, Pakistan must include the private sector in all facets of dealing with the international community starting with preparation of position papers and underlying research, to actually negotiating access and, the subsequent supervision and management of the accord. Moreover, the general complaint with respect to Pakistan's exports has been the absence of quality control. The private sector must ensure that this becomes a necessary condition for export. Towards this end, trade associations should be encouraged to establish and operate training centres and central quality control facilities, set standards which are mandatory, and establish a system of penalising violators.

While Pakistan hopes to attract substantial levels of foreign investment, conditions required to bring this about do not exist. The proposed modalities need to be revised in consultation with international trade and investment associations. One of the major impediments to bring about the levels of private foreign investment needed by Pakistan has been the rapid changes in policy which are inconsistent over time and appear to be uncoordinated across sectors. Policies may, therefore, be announced for longer periods than the existing cycle of six-months to a year with midterm revisions. Legislation must ensure that policies once announced remain valid over more than the life-span of a government and are introduced and changed only after a public debate before a select committee of Parliament prior to their being tabled in Parliament. This would ensure consistency, coordination, transparency and accountability.

ECONOMIC MANAGEMENT

The efficient allocation of resources to ensure wide spread and equitable economic and social development of a nation is the basic responsibility of any government and this can only be achieved through good governance. Unfortunately, this has been a dream for not only the policy makers of Pakistan, but also of its people. The pall of rising poverty and the unequal distribution of the benefits of economic growth bear testimony to the ineffectiveness in social and economic development exhibited by various governments in Pakistan since its inception.

Governments in Pakistan have been physical giants in every sense of the word. They have straddled, and continue to do so, all economic, social and cultural activities through a variety of agencies, government, quasi-government, and public sector corporations, in other words through statal and para-statal organisations. They are the single largest employers. They consume disproportionate amounts of credit and generate the largest amounts of rents. However, their contribution to equitable and sustainable economic and social development is dwarfed by the quantum of resources they pre-empt and the inefficient manner in which these are allocated. The essential problem hindering efficiency is in the composition of government; rather than ensuring the delivery of basic social services, redistributing resources and ensuring economic and social development they have expanded into the realms of trade and production, and over zealous control of the private sector. These have generated inefficiencies, corruption and rents accruing only to vested interest groups.

While governments in Pakistan have been spending and consuming more, their expenditure on the development of infrastructure and social services has been declining. A similar situation prevails in South Asia. The Human Development Centre [1999] shows that cumulatively over the last two decades their expenditures in the public realm have increased from 22.5 percent of the GDP in 1980 to 29.4 percent in 1998. Similarly government consumption in the region has increased by 1 percentage point from the base of 9 percent of GDP. Development expenditures, which in some instances were more than 10 percent of GDP, are now less than 5 percent of GDP and there is evidence that waste and corruption has increased. Moreover, governments have been extending their stranglehold over trade and production thus the region has emerged as the most deprived in the world, with the world's highest levels of illiteracy, malnourishment, and poverty.

The role of misplaced public expenditures should not be forgotten. The bulk of investment is into high profile low yield projects, support for inefficient organisations, and inefficient subsidies to the detriment of social sector expenditures. For every dollar spent on the social sectors, defence and debt servicing consume as much as $ 4.32 in Pakistan(compared to $1.50 in Sri Lanka, and $ 1.70 in India) [HDC 1999]. In Pakistan well over 60 percent of all government non-defence non-debt expenditure is consumed for salary payments and this has been increasing over time [World Bank 1998]. Nearly three quarters of all government expenditure goes to pay for defence and debt servicing. Other significant claims on government resources are for payment of subsidies (which are inefficiently distributed and are misdirected), welfare (which also are misdirected, centrally controlled, politically motivated, have high unit costs, and often exclude the disadvantaged segments of society - women, the poor - for whom they are meant) and public enterprise losses. And last but not least “increasing democratisation .... has claimed a good deal of public resources.... cabinets have been expanding, demand for both public services and public employment has been rising, development resources have increasingly been sought after by politicians for personal use, and public money has more often been spent on politically motivated projects”[HDC 1999].

FISCAL ADMINISTRATION

One of the consequences of this breakdown in economic governance results from the failure of governments to institute a progressive taxation structure. Today taxes are imposed on and collected from the poor. Large segments of civil society, particularly the rich remain inadequately taxed - to wit, the exemption of tax on agricultural incomes and capital gains. Further the bulk of taxes are generated iniquitously through indirect taxes which are regressive. In Pakistan the tax incidence on the upper strata of incomes is 4.5 percent and on the lowest, 10.3 percent. Further the taxation structure creates inefficiency in the economies.

The over reliance on trade taxes has resulted in smuggling to the detriment of local production, multiple tax rates, a plethora of exemptions and disharmony in federal, provincial and local taxes has encouraged tax dodging and discouraged production. To compound the discouragement of industry is the large regime of input taxes. Incomes are treated non-uniformly. For instance, in Pakistan, direct taxation of agriculture contributed only 4 per cent to the direct tax revenues of federal and provincial governments in 1990, though value added in the sector accounted for 26 per cent of GDP. It was argued that agriculture was taxed through control over prices. These have now been deregulated and the case for not taxing agriculture is no longer valid. Income from black and informal economies are also tax exempt, even though they are as large agriculture or industry.

Fiscal policy allows for a plethora of tax holidays and exemptions and grants enormous discretion to assessing officers on how these are interpreted and implemented. There is no independent audit of assessment by outside agencies, thereby allowing for collusion in the internal peer review process. A fundamental problem, however, is that the tax base remains narrow. An unfairly large proportion of direct taxes are collected as deductions at the source. It is estimated that in Pakistan these account for more than 90 percent of tax collection. This leaves an estimated less than 10 percent to be collected through assessment by an administration which has about eight layers starting with the Income Tax Officer at the bottom and the Member (Income Tax) at the top of the pyramid.

The organisational structure is complex and has no clear lines of authority or responsibility. Countries are divided into regions, zones and circles. Parallel to this structure of direct taxation there exists a comparable structure for Sales/value-added Tax and Excise Duty. It is not necessary that the territorial boundaries of one will match that of either of the other two. Excepting Bangladesh, all controls rest with the Central Boards of Revenue.

There appears to be no clear demarcation between the various segments of tax administration. Income Tax Officers may also be used for Sales Tax/value-added Tax purposes and instances of them being posted as Excise Duty Officers exist. The *vice-versa* also holds true. Similarly, Customs Officers double as Excise Officers. Inductees into the services are not necessarily chosen from among graduates in business, accounting or commerce and receive formal training in tax law and administration. This programme is, however, not intensive. Refresher courses are erratic and not mandatory, particularly for senior officers. Thus, officers are largely under-trained throughout their career. A system of examinations for promotion does not exist. Nor is merit taken into consideration either at the intake level or subsequently. The intake is largely based on quotas and promotions through seniority or kinship. The apparent straddling of functions means that there is no tax specialist, even though one may belong to a particular service. In Pakistan, the several tax laws themselves impede the process of documenting. As elsewhere, there is no unique tax payer identification number which is common for all taxes.

Much of these shortcomings of tax administration can be reformed through broad systemic changes undertaken at all levels. The effectiveness of the change will depend on political support. This process must also recognise that the incentive to efficiency and integrity lies in the remunerations earned. The establishment of independent and autonomous Revenue Authorities with a market based pay structure with built-in rewards and penalties should be considered as the most viable vehicle for reform.

EXPENDITURE MANAGEMENT

As is the case all over South Asia, planning and budgeting systems are deficient in Pakistan. This reduces transparency and accountability in the process of allocation and expenditure. Consultation in matters of taxation with vested interest groups has always existed. This has, however, improved over time as the composition of the legislatures is changed in favour of the urban areas. In making the budget, however, there is little external input. Expenditure requests are not scrutinised by legislators. Budgets are framed without a consistent macroeconomic framework. Medium to long-term expenditure plans are not prepared, neither are such frameworks established. There is, therefore, no link between the composition of expenditures and the financing of the deficit to major economic parameters, such as growth and prices. This, therefore, erodes efficient allocation and effective management of the macro-economy.

The development budget is generally prepared by the planners independently of the budget for current expenditure which is prepared by the Ministry of Finance. Therefore there is a mismatch between the two. The former places down stream demands on the latter which it cannot meet. This results in the creation of either unutilised or under utilised assets.

The budget for current expenditures is prepared incrementally. The previous year's budget forms the base to which a standard growth is applied. No adjustments are made for vacant positions or for unforeseen needs. Critical expenditures for maintenance, operations, supplies and services are crowded out by the non-discretionary expenditures such as salaries and debt servicing. Defence expenditure is a single line item not to be debated.

The five-year Development Plans are so broad-based that virtually all projects submitted for approval, pass through. This expands the portfolio each year and the resources allocated to each project get thinner by the year. Cost overruns of five to ten times original estimates are not surprises. This is, one, because they were initially wrongly estimated, and two, they get crowded out as priorities shift, particularly when government change midstream - which happens invariably. Thus rates of return are reduced and in some instances it might be more prudent to abandon such projects. However, political expediency disallows this.

Expenditure monitoring is very poor. As accounting is not computerised to the lowest levels in most states of South Asia with the result that deficit financing fluctuates widely from month to month. Thus borrowing increases and results in higher than anticipated interest costs. Monetary management is thereby further undermined.

Expenditure evaluation is minimal. Policy evaluation is largely absent. Audits focus on inputs. Impact assessments are rare. Service delivery evaluations are rarer still. In Pakistan a first assessment at the latter was undertaken as part of the Social Action Programme. The Federal Bureau of Statistics has undertaken two household level surveys to collect information to estimate service delivery and impact. The Auditor General's Third Party Monitoring is once again an input audit which also examines the systems and procedures used.

Remedial measures will require political sagacity in spades. The short-term costs of action against a privileged minority will result, in the long-run, in immense economic benefits and political goodwill. However, it is for the politicians themselves to answer, which is in their eventual benefit - the short-term gain of approval by a minority, and therefore, being held hostage to their whims, or the long-term blessings of the people leading to political stability and their possible longevity in office?

CORRUPTION

Poor governance leads to, nay encourages and breeds, corruption in a number of ways, for instance through bribery and extortion, nepotism, and fraud and embezzlement. It reduces the efficiency on which an economy depends, and by increasing the cost of investment, lowers the potential return. It also reduces the government's resources and hence its capacity for investment.

Common to other South Asian countries, corruption in Pakistan is unique because it occurs up stream, it has wings which encourage flight of capital rather than wheels which encourage reinvestment and it often rewards rather than punishes as the legal processes to fight corruption are weak in themselves and the lower judiciary is amenable to letting off the accused if the '*price is right*'. There is a general feeling that the most corrupt arm of the police is the anti-corruption establishment itself. Corruption has had adverse effects on human development (which contributes to people's inability to fight corruption through an improvement in governance as a result of deprivation of knowledge, literacy and rights), skewed public sector investment priorities which favour large visible projects where the chances for rent-seeking are substantial. As Pakistan faces a paucity of resources, it is unable to set up and enforce an effective legal framework.

At the heart of the problem lies the corruption equation, first devised by Robert Klitgaard in 1988:

Corruption = f(Monopoly power, discretion, accountability, low government salaries)

The combination of monopoly power and discretion alone is a disastrous combination. When linked to the absence of accountability and low legal earnings they become more than just lethal. Many judges, lawyers and other professionals agree that most, if not all, laws exist only to create an environment for corruption. Some have even suggested that they actually encourage corruption both implicitly and explicitly because of the built in inconsistencies and contradictions. They create monopolies because power is centralised and they provide immense discretion to set aside any law in the ***public interest*** (a euphemism for ***my personal benefit***). John Lonsdale (1986) found accountability where "the abuse of power is given its proper name, and is properly punished under a rule of law which stands above political faction"[4]. Thus, accountability, at its simplest, means holding public officials responsible for their actions.

[4]IBRD. 1992. Governance and Development. The World Bank. Washington D.C.

One obvious mechanism to eliminate corruption would be to review legislation which helps breed corruption, such as through creating monopoly power, permitting discretion without checks and balances, places authority without responsibility. Parallel to this should be an effort to reform the judicial system generally. Another mechanism would be to introduce legislation which is effectively implemented through an impartial and independent authority (with substantial representation from civil society and the senior members of the judiciary). Corresponding changes in the laws of evidence and trial should allow for flexibility in procedures and rigour of evidence. The double standards prevalent in the developed world, particularly the safe havens of Switzerland, Liechtenstein, the Cayman Islands and the Bahamas, and now also the United States of America and the United Kingdom impose stiff legal challenges to the laundering of money generated from drugs, but a similar treatment to bribes, extortion embezzlement and fraud is conspicuous by its absence. This needs to be rectified urgently.

Competition, clear rules, and disclosure are important first steps for corruption. Many countries have sophisticated and strict laws addressing corruption. Yet the existence of legislation alone is insufficient. The problem may lie with a lack of dependable enforcement. At the same time that legislation is enacted, the strength and independence of the judiciary must be secured. While disclosure of wealth by officials and elected representatives is required by law, follow-up action is missing. Legislation should be enacted which provides for a mandatory cross-verification of declarations for a minimum sample of returns. Delayed and no-returns should be penalised severely. In the event that investigation reveals concealment or mis-declaration, then an independent tribunal of the senior most judges and civil society representative drawn from professional accountants (who should be elected for three year terms) should order punishment after due process. Punishments should include, confiscation of property, jail and severance from service without benefits.

In summary, the action needed to eliminate corruption should include the following elements on a national level:

! Begin accountability from the top

! Set up national anti-corruption commissions and appoint an independent watchdog

- Set up exclusive corruption courts
- End unnecessary or archaic discretionary laws
- Enact legislation to improve accountability, ensure transparency, punish the corrupt severely and ensure time bound action
- Require public officials to declare their assets
- Provide immunity to informers
- Pass a Right to Information Bill
- Use independent private-sector auditors
- Involve people in diagnosing corrupt systems
- Implement core institutional reforms and repair corrupt systems
- Ensure an active and free press

It is also necessary that parallel action at the international level should also be undertaken so that the double standards which exist are removed. Such actions, should include:

- Making all bribes given in industrialised countries illegal
- Ensuring that all 'illegal' money and property transactions in industrialised countries is treated at par with drug money
- Linking aid to humane governance through a programme funding mechanism "such as under IMF's ESAF/EFF, and the World Bank's Structural Adjustment Loans or Programme Loans are structured such that circumventing any conditionality becomes nearly impossible. These provide initial bridge financing to start the process of change and specify benchmarks which are quantifiable and verifiable exogenously by third parties. They must be achieved before any subsequent tranche is released. Disbursement is either withheld or delayed pending compliance, thereby providing both the carrot and the stick to encourage the implementation of change" (SPDC 1999).

CONCLUSION

Drawing a lesson from this and other evidence from studies around the world one may conclude that for the state to ensure sustainable and equitable development, it must realise that while the government has a role to play in economic development this can only be achieved best through a realisation that such a positive role requires not an expansion in the scale of government activity, but an increase in its effectiveness and a major reallocation of its resources. Poor governance is now recognizable. There is a failure to establish a framework of law and government behaviour conduce to development, with a tendency to divert public resources for private gain. No arbitrariness in the application of rules and laws with excessively narrowly based decision making mechanisms only exacerbate the problem.

Further comparing the path to development followed by Pakistan with that of East Asia, it would appear that some of the reasons for the crisis in economic governance can be traced to the following:

- political stability,
- stable macroeconomic environment,
- the outward-looking trade strategies as opposed to the protectionist strategies,
- the quality of primary education,
- effective land reforms,
- credit reforms,
- a merit based, efficient and competent bureaucracy,
- well-functioning institutions, and
- identification and development of core areas of comparative advantage

The recent HDC Report [1999] suggests that much of Pakistan's economic woes can be overcome if it could focus on the last of these reasons for the differences in growth of the two regions and also invest more heavily in the development of human resources. However, the country is faced with a fiscal dilemma because it is living, by and large, beyond its means, and there can be no social uplift and a reduction in poverty without the key fiscal problems being addressed. Pakistan is spending far more borrowed money than it can actually retire through future economic growth. The fiscal deficits have remained high, between 5 to 8 percent of the GDP over most of the last decade. This leads to an increase in public debt, decline in real exchange rates, macroeconomic instability and rising interest rates. Cumulatively, these could result in economic regress and, in the final analysis, human regress.

In effect, Pakistan needs to redirect its priorities. The state must focus efforts towards the core human development concerns. This would entail liberal investments in basic human needs of the poor and a major redistribution of such productive assets as land and credit. Government must ensure equity and social justice. Moreover, the state needs to provide a major stimulus to economic growth, involving an equitable fiscal policy that emphasises progressive taxation and 'pro poor' expenditures. There is the need for revitalising existing state institutions. Political systems need no longer to have representation based on oligarchic interests. The civil service needs to be made more efficient. Similarly, judiciary needs to be more independent as well as accessible to people.

Ultimately, none of these reforms will take place without political will. Pakistan's crisis of governance stems from systemic political, economic and social challenges embedded in the country's colonial and feudal past. Pakistan, as a former colony, inherited systems of financial accountability, an independent civil service, and a legal framework. However, because they were 'imported' from outside, they have not always taken root. Colonial rule implied accountability to the colonial power, rather than to citizens; it thus sometimes destroyed indigenous systems of accountability. A new vision of governance built on the principles of ownership, accountability and even decency, are only too increasingly becoming imperative for its citizens. It could be argued that till recently, 'governance' had not been established as a major buzz word among policy makers. Yet, what is crucial to grasp is that the concept of effective governance has always been firmly embedded in the popular imagination.

In sum, governance is a continuum; it does not automatically improve over time. Citizens need to demand good governance. Their ability to do so is only enhanced by awareness, education, and employment opportunities. The Government of Pakistan needs to be responsive to those demands. For change to be effective it must be embedded in the societies concerned and cannot be imposed from the outside.

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