Exploring Muslim Contexts

Development Models in Muslim Contexts

Chinese, 'Islamic' and Neo-Liberal Alternatives

Edited by Robert Springborg

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Chapter 8

Governance and Development: A Case Study of Pakistan

Ishrat Husain

Theoretical and empirical evidence from the past two decades shows that socio-economic development is affected by the quality of governance and its institutions. Traditional factors of production (capital, skilled and unskilled labour, and intellectual human capital) obviously contribute to the growth process, but the residual or total factor productivity incorporates not only technical change, but also organisational and institutional change. Well-functioning and healthy institutions not only affect the rate of economic growth but, moreover, the distribution. If governance structures and supporting institutions are healthy, then the distribution of benefits of growth will be equitable. This chapter will argue that the process by which good economic policies and aggregate economic outcomes are translated into an equitable distribution of wealth and benefits involves the institutions of governance. It addresses the following three questions, and then explores the case of governance and development in Pakistan in some detail:

1. Why is good governance crucial for development?
2. What are the critical success factors essential for achieving development and good governance?
3. What are the channels by which governance affects development?

Good Governance and Development

While it may be difficult to agree on a clear definition of governance, there is a wide consensus that good governance enables the state, civil society and private sector to enhance the well-being of a large segment of the population.

According to the World Bank, governance refers to the manner in which public officials and institutions acquire and exercise the authority to shape public policy, and provide public goods and services.[1] Corruption is one outcome of poor governance involving the abuse of public office for private gain. The Asian Development Bank considers the essence of governance to be sound development management. The key dimensions of governance are: public-sector management; accountability; the legal framework for development; information; and transparency.[2] The six core principles identified by Hyden et al. related to good governance are: participation, fairness, decency, accountability, transparency, and efficiency.[3]

Through its research work, the Overseas Development Institute (ODI) has developed a framework for analysing governance and development.[4] According to this framework, the main determinants of governance and development are: historical context, previous regime, socio-cultural context, economic system, and international environment. Under the governance realm falls: civil society, political society, government, bureaucracy, economic society, and judiciary; and under development, outcomes are: political freedoms and rights, human security and welfare, economic growth, human capital, trust, and social cohesion.

Each nation's path to good governance is different and depends on many factors (including culture, geography, political and administrative traditions, and economic conditions). The scope of activities allocated to the public and private sector diverges markedly, but all government share similar responsibilities: they need to establish a basic policy framework, provide critical goods and services, protect and administer the rule of law, and advance social equity. The importance of good governance was highlighted in the 1980s, when developing countries began to feel the adverse effects associated with the over-extension of the state to functions beyond its capacity and capabilities. The concept of "modernisation" that was propagated in the 1950s and 1960s had become synonymous with state-led development. It was argued that where market institutions and local entrepreneurs were weak, only state-owned enterprises (SOEs) were capable of investing in and expanding the economy. The import-substitution industrialisation (ISI) strategy provided the intellectual underpinning of this argument. State intervention took place in the choice of industries and production technologies, monitoring the level of employment, and the determination of input and output prices became a widely accepted policy instrument. Protection against imports – through high tariffs – insulated the SOEs from the competitive pressures of the market, and also generated substantial revenues for the governments themselves. This "inward"-looking strategy was pursued vigorously by a large number of countries in Asia, Latin America and Africa from the 1950s to the 1970s.

Empirical research evaluating the experience of these countries during this period presents persuasive evidence that the "statist" model has done more harm than good to developing countries. "Government failure", rather than "market failure", was pervasive in the developing world. Public bureaucracies were driven by narrow and parochial interests rather than by larger developmental goals. The "soft state" syndrome articulated by Myrdal for Asia, and the "weak state" phenomenon applicable to sub-Saharan Africa, both debunk the myth of a neutral, competent and legitimate state capable of enforcing policy *and* managing enterprises to maximise the collective good of the society.[5] By the end of the 1970s, a serious debt crisis plagued Latin America, dictatorial regimes were mismanaging the economies in Africa, and economic stagnation took root in India, the "statist" model pioneer.

Meanwhile, the success of newly industrialising countries (NICs) – Korea, Taiwan, Singapore and Hong Kong – was demonstrating that opening up a state's economy to the rest of world, and an "outward", export-oriented strategy, could bring about rapid, sustained and shared growth for a majority of people. Interpretations of the success of NICs and East Asia in the 1980s remain highly controversial, even today. Although the state played a pro-active role in these countries, intervening selectively, it avoided the mistakes committed by "statist" model governments whose political leaders and bureaucracy acted haphazardly in their pursuit to control the "commanding heights" of the economy.

The "heavy and over-extended state" model was gradually replaced by a new model in which the state, while continuing to provide infrastructure and promote human development, acted more as a strategist, guide or facilitator for market competition. The domestic private sector was allowed to compete with industrial export markets – protection was avoided. One should note, as Wade points out, that the East Asian economies should be described as "governed markets", rather than either free markets or command economies.[6]

The governance structure in East Asia that led to impressive outcomes was characterised by a public bureaucracy that was, by and large, meritocratic, performance-oriented, hierarchic, and free from political interference. Evans uses the phrase "embedded autonomy" to describe these states.[7] While keeping strong contacts with civil society organisations engaged in social sectors that are crucial to development, these bureaucracies held sufficient authority to maintain a distance from social pressures. Public–private consultations, networks and partnerships were their modes of functioning.[8]

There is now – almost – a consensus that high rates of economic growth can take place without benefiting large segments of the population. Such growth is to be shunned, however, for its inimical effects on social cohesion and political unity of the sub-groups of population living in a country. In addition, spurts of growth that do not leave enduring benefits to a country's population are not of interest. Therefore, the two characteristics we are looking for in a development model are inclusive growth and sustained growth. The combination of these two characteristics would spread the benefits of high economic growth to a vast majority of the population over an extended period of time. Governance is the glue that binds these two characteristics with economic growth, and is critical in producing sustained and inclusive development. How, then, can this development be achieved? This question can be addressed by first identifying critical successful factors that have been associated with sustained and inclusive growth.

Critical Success Factors

A large body of evidence accumulated over the last five decades can be used to arrive at a list of those factors that contribute to a developing country's success in achieving inclusive and sustained growth. Although there is some variation, like a recipe modified for different tastes, there are essential ingredients. These have been summarised by the Commission on Growth and Development (2007) as follows:

1. Participation in the global economy can leverage limited domestic demand and knowledge spillovers can enhance productivity.
2. Decentralised decision-making and market incentives improve efficiency.
3. High levels of savings and investment are needed to sustain growth.
4. Rapid diversification, particularly in the export sector, can provide incremental productive[9] employment.
5. Structural transformation from an agriculture-based economy to a services or industry-based economy is an inevitable part of the development process.
6. Factors of production, particularly labour and skills, should be mobile across sectors and across regions.
7. Rapid urbanisation is an expected outcome of development.
8. A stable and enabling environment is required to attract private investment.
9. Strong political leadership that is effective and pragmatic makes a difference in activist interventions.
10. Development is a long process and takes several decades.
11. The strategies, priorities and role of the government evolve over time and do not remain static.
12. A government that is pragmatic and flexible raises its chances of successfully implementing policies and projects.
13. A focus on inclusive growth combined with persistence and determination can produce desired results.
14. Governments that act in the interests of all the citizens can promote inclusive growth.

In light of these success factors, it is crucial to develop capable and accountable state institutions that can devise and implement sound policies, provide public services, set the rules for regulating the markets, and combat corruption. Although the role of government in a developing nation evolves over time, it is essential to continue demanding better – not less – government. While there is no conclusive evidence that links the size of government with desired development outcomes, there is broad agreement about the key responsibilities of a government:

1. Devise the right strategy from the beginning, but allow for changes and modifications in the course of execution.
2. Stabilise the economy, liberalise trade and prices, and privatise state-owned enterprises.
3. Help create an environment that ensures private firms, farms and businesses thrive.
4. Ensure public investment has a long-term horizon that deals with bottlenecks, removes constraints, and is directed towards infrastructure and education.
5. Develop and strengthen institutions in the judiciary, executive and legislative branches of the government, as well as those involved in supporting markets.
6. Engage leadership in building consensus and practising pro-active communication.

The above listed responsibilities of government are tied to questions about the effectiveness of governance structures in a particular country. Institutions of governance are important: differences in the quality of institutions helps to explain the gap in economic performance between rich and poor nations, and, in the South Asian context, between rich and poor states. In addition, there is some association between institutional quality and the distribution of income – an unequal distribution of income often relates to a lower quality of institutional development.

Channels of Transmission

One channel through which governance affects development is the civil service – that is, the quality of civil servants, the incentives facing them, and their accountability for results. The key to achieving high performance lies in attracting, retaining and motivating civil servants of a professional calibre. Also, civil servants should have the authority and power to act on public interest, and be held accountable for wrongdoing such as nepotism, favouritism, corruption, and so on. An effective civil service can be achieved by introducing a merit-based recruitment system, providing opportunities for continuous training and the upgrading of skills, and ensuring equal opportunity in career progression, adequate compensation, proper performance evaluation, financial accountability and last of all, rule-based compliance.

Another important channel is responsiveness to public demands. The World Bank asserts that governments are more effective when they listen to businesses and citizens, and work in partnerships to decide and implement policy.[10] Where governments lack mechanisms to listen, they are not responsive to people's interests. Decentralisation and the devolution of authority to local tiers of government facilitate the representation of local business and citizens' interests. The visibility of results in a specific locality, made possible by a careful deployment of resources, provides evidence to those living in the area of the government's capacity to address local issues, and, in so doing, will encourage citizens to maintain pressure on government functionaries to act on the relevant local issues. Public–private partnerships, including NGO–public partnerships, have proved effective tools for fostering good governance.

The reality of globalisation in the twenty-first century highlights another channel: governance reforms affect participation in the larger world economy, and thus increase the pace of development. Countries can bring about an improvement in the well-being of their population by successfully competing in the larger world economy through markets, trade, investment and exchange. The state plays an important role in nurturing markets that foster this competition. It should provide information about opportunities to all participants, act against collusion and monopolistic practices, build the capabilities and skills of people engaging in productive activities, set the rules of "the game" in a transparent manner, and last of all, adjudicate and resolve disputes in a fair and equitable manner. For the state to perform these functions, the capacity, competencies and responsiveness of relevant institutions have to be upgraded along with the rules, enforcement mechanisms, organisational structures and incentives.

Is there any evidence that shows a particular form of government to be best-suited to successfully maximise the benefits of governance for its people? In Pakistan, as elsewhere, it has been demonstrated that the nature of the government – whether military, democratically elected, nominated, or selected – has not mattered much. As long as the underlying institutions are working, the form of government remains irrelevant. The challenge of reforming these institutions so that they work as they should is formidable, as vested interests wishing to perpetuate the status quo are politically powerful. Alliances between the political leadership and the beneficiaries of the existing system are very strong. Elected governments, with an eye on electoral cycles, often think in the short-term, and are not in positions to incur the immediate pains from institutional reforms because they are afraid that future gains may be credited to other political parties. Authoritarian governments are not effective because their reforms do not enjoy legitimacy, and, as a result, are not often sustained. Changing institutions is a slow and difficult process requiring, in addition to significant political will, fundamental measures to reduce the opportunity and incentives for particular groups to capture economic rents.

According to Acemoglu and Johnson (2003) good institutions ensure two desirable outcomes: that there is relatively equal access to economic opportunity (a level playing field), and that those who provide labour or capital are appropriately rewarded and their property rights protected.[11]

The above analysis clearly points out that institutions play a critical role in bettering economic performance and ensuring that the distribution of wealth is equitable. I would now like to present case study of Pakistan, to illustrate the relationship between institutions of governance and development.

Case Study of Pakistan

The case of Pakistan makes for an interesting study. Pakistan is one of the few countries that have recorded an impressive growth rate of more than 5 per cent per annum between 1947 and 2007. Only a few developing countries, mainly in Asia, have been able to achieve such high rates of growth over an extended period of time. Pakistan overthrew the "statist" model of development and has pursued an outward-oriented strategy (for the most part) since its independence (except for the 1970s). Despite its stellar record, almost a quarter of the population still lives below the poverty line, and social indicators are among the worst in the developing world. Pakistan ranks 134th among 177 countries on the Human Development Index. Income inequalities, regional disparities and gender differentials have worsened over time. How, then, can this paradoxical situation be explained?

The intermediation process through which good economic policies and economic growth get translated into equitable distribution of benefits involves the institutions of governance. It is the quality, robustness and responsiveness of the institutions of governance that can transmit social and economic policies. The main institutions of governance consist of: (a) the judiciary to protect property rights, and enforce contracts; (b) the legislature to prescribe laws and create a regulatory framework; and (c) the executive to make policies, and supply public goods and services. If access to the institutions of governance is difficult, time-consuming and costly for common citizens, then benefits from economic growth become distributed unevenly, as only those who enjoy preferential access to institutions can gain from them. The 1999 and 2005 Human Development reports on South Asia provide ample evidence to show that unequal access is attributed to poor governance:

> South Asia presents a fascinating combination of many contradictions. It has governments that are high on governing and low on serving; it has parliaments that are elected by the poor but aid the rich; and society that asserts the rights of some but perpetuates exclusion for others. Despite a marked improvement in the lives of a few, there are many in South Asia who have been forgotten by formal institutions of governance. These are the poor, the downtrodden and the most vulnerable of the society, suffering from acute deprivation on account of their income, caste, creed, gender or religion. Their fortunes have not moved with those of the privileged few and this in itself is a deprivation of a depressing nature.[12]

> Governance constitutes (for ordinary people) a due struggle for survival and dignity. Ordinary people are too often humiliated at the hands of public institutions. For them, lack of good governance means police brutality, corruption in accessing basic public services, ghost schools, teachers' absenteeism, missing medicines, high cost of and low access to justice, criminalisation of politics and lack of social justice. These are just few manifestations of the crisis of governance.[13]

Access to justice is a major problem for the poor. In the convention on "The Judiciary and the Poor", organised by the Campaign for Judicial Accountability and Reforms in India, but also apt in the case of Pakistan, a telling description is presented:

> The judiciary of the country is not functioning as an instrument to provide justice to the vast majority of the people in the country. On the other hand, most of the judiciary appears to be working in the interest of wealthy corporate interests, which are today controlling the entire ruling establishment of the country. Thus, more often than not, its orders today have the effect of depriving the poor of their rights, [rather] than restoring their rights, which are being rampantly violated by the powerful and the State. [The judicial system] cannot be accessed without lawyers … And the poor cannot afford lawyers. In fact, a poor person accused of an offence has no hope of defending himself in the present judicial system and is condemned to its mercy.[14]

Why have these institutions – judiciary, legislature and executive – deteriorated and failed to deliver to the poor? A history of governance in Pakistan will shed some light on this question.

History of Governance in Pakistan

At the time of its independence, Pakistan inherited a well-functioning judiciary, civil service and military, but a relatively weak legislature. Over time, the affairs of the state became dominated by the civil service and military, disrupting the evolution of democratic political processes and further weakening the legislative organ of the state. The judiciary, with few exceptions, plodded along, sanctifying the dominant role of the military and the civil service.

The institutions inherited from British rule were relevant during the time before independence; however, they failed to adapt themselves to meet the new challenges of development and social change of a newly independent country. The "business as usual" mode of functioning was the approach used by incumbents holding top- and middle-level positions in the bureaucracy, and this did not endear them to political leaders or the general public. Several commissions and committees were consequently formed during the twenty-five years following independence, in an attempt to reform administrative structures and civil services. Some changes to improve the efficiency of the secretariats were introduced during by the regime of Ayub Khan, president of Pakistan during the 1960s; however, at the same time, personalised decision-making and a favouring of centralised controls also occurred. The reluctance to grant provincial autonomy to East Pakistan – the most populous province of the country yet physically remote from the hub of decision-making (Islamabad) – led to a serious political backlash and eventual break-up of the country into two independent nations.

In 1973, a populist government headed by Zulfikar Ali Bhutto took the first step to breaking the steel frame of the civil services by taking away the constitutional guarantee of job security. Furthermore, he demolished the exclusive and privileged role of the civil service of Pakistan (CSP) within the overall structure of the public service.

However, the next twenty-five years witnessed a significant decline in the quality of new recruits to the civil services, as the trade-off between job security and low compensation ceased to operate and the private sector – including multinational corporations – expanded, offering more attractive career opportunities. The erosion of real wages in the public-sector led to low morale, little motivation, inefficiency, and a resorting to corrupt practices among civil servants at all levels. In real terms, the compensation paid to higher civil servants was only a half that of the 1994 package. The abuse of discretionary powers, bureaucratic obstruction and delay tactics became commonplace for government functionaries as a means to supplement their pay. Low wages also meant that the civil service no longer attracted the most talented young men and women. To maintain their positions and associated higher status, some long-serving members of the civil services became identified with a political party, and thus integrated into corrupt political regimes that rewarded them as per Pakistan's political culture of patronage. During the 1990s, each time one political party replaced another, changes in the top bureaucracy usually followed. The informal political affiliations of those in the bureaucracy resulted in a civil service that was no longer impartial, neutral, competent and responsive to the needs of the common man. Loyalty to the ministers, chief ministers and prime minister took priority over accountability to the general public. The frequent take-overs by military regimes, and the consequent screening of hundreds of civil servants, led to a bureaucracy subservient to military rulers, the erosion of the authority of traditional institutions of governance, and a loss in initiative among the higher bureaucracy.

The devolution plan, outlining a strategy of devolution and decentralisation combined with the creation of a local government system, was unveiled by President Pervez Musharraf's military regime in 2001, dealing the civil service another major blow as the commissioners, deputy commissioners (DC) and assistant commissioners (AC) were abolished, and the authority of the district administration was transferred to elected *Nazims*, (co-ordinators of cities that are similar to mayors but more powerful). To ordinary citizens, the government was most tangibly embodied in these commissioners; it was the DC and AC that they approached on a daily basis for the redress of their grievances against government departments and their functionaries. The substitution of the civil servant by an elected head of administration is quite a new phenomenon and it will take some time before the effectiveness of this change can be judged. While this transition takes place, the checks and balances implicit in the previous administrative set-up have become redundant as the DC and AC controlled the excesses committed by the police. Now, the police have assumed greater clout and, consequently, the opportunities for collusion with the *nazims* have multiplied, and in many instances, alienated common citizens and diluted the impartiality of the administration at the grassroots levels. The sanctity of private property rights has been threatened in several cases when the *nazims* have given orders to make unauthorised changes in the land ownership records, usually in rural areas, in collusion with government functionaries, often to benefit themselves and their cronies. The district administration has yet to grow as an autonomous institution, as it is challenged by the central administration and suffers from inequitable resource distribution.

Instead of becoming stronger and more responsive over time, the institutional infrastructure of Pakistan's governance has outlived its usefulness. Human resource intake and motivation is poor; career progression does not depend on competence and performance, but on keeping the political bosses satisfied; pay and compensation packages are out of sync with the rising cost of living; business processes are outdated; performance appraisal is perfunctory; and use of modern technology is limited. Furthermore, the courts are congested with a backlog of cases stretching back several decades, while police investigations and prosecutions are often corrupt. Simultaneously, the legislature has been suspended several times before completing its due tenure, with many members heavily indulging in their social privileges. Laws passed by the legislature, devised to help the poor, have not been fully implemented.

Transparency and accountability mechanisms have grown weak since Pakistan's independence. Excessive discretionary powers, the violation of established rules and a diversion of public resources for private profits are the norm. Accountability mechanisms are used selectively to win over the opponents of the ruling parties or the military regimes; alternatively, they are used to coerce them in the event that they refuse to support certain projects.

The culprits of corruption, whether in the bureaucracy or political office, have, by and large, remained unscathed. The use of accountability for political manoeuvring has brought the very idea into disrepute in public eyes – even serious and genuine attempts to bring the corrupt to justice are met with scepticism, scorn and ridicule.

The ruling elites, still under the influence of patron-lineage dating back to the feudal landowning systems which resisted modern mechanisms of governance and notions of civil society out of a preference for traditional systems of tribal loyalty, have used public offices for their personal and familial enrichment. In the absence of transparency and accountability, these elites appoint their cronies and confidantes to key departments, and often divert resources away from the general public and towards themselves and their benefactors. As a result of these practices, on a daily basis, poor people are unable to access health clinics, schools or other essential services because they cannot pay bribes and do not have the connections or influence to demand access to these basic public goods and services. Complaints and grievances to higher-ups remain unattended because it is they who are the direct beneficiaries of this system. Corruption and weak governance often mean that public resources that should have created opportunities for poor families to escape poverty, enrich corrupt elites.

How, then, can these institutions be revitalised? The government of former President Pervez Musharraf, realising the gravity of the situation and unsatisfied with the slow trickledown effect of economic growth, appointed a National Commission on Government Reforms (NCGR) in May 2006, with a mandate to develop a governance reform agenda for Pakistan.

Reform Agenda for Pakistan

A governance reform agenda should be designed to restructure government and revitalise institutions so that the state actualises some of its most important functions: the provision of basic services – education, health, water sanitation and security – to citizens in an effective and efficient manner, and to promote inclusive markets in which all citizens have an equal opportunity to participate. A restructuring process should minimise corruption, ensure public order, guarantee security of life and property, lower transaction costs, and provide market access without frictions by curtailing the arbitrary exercising of discretionary powers and reducing over-taxation.

A competitive private sector has to be nurtured and relied upon to achieve sustained economic growth. Therefore, one of the major reforms in Pakistan has focused on creating space for the growth of new entrants in the private sector; this has usually been done by removing existing constraints created by the state and then ensuring the smooth operation of new entrants. Pakistan is one of the few South Asian countries that ranks highly on World Bank indicators for ease of doing business. The pursuit of policies of liberalisation, deregulation, de-licensing and disinvestment during the last fifteen years has brought about significant improvements for economic agents, domestic as well as foreign.

Despite this, the overbearing burden of government intervention at lower levels in the business life-cycle continues to loom large. Numerous difficulties face new businesses: acquiring, titling, pricing, transferring and possessing of land transactions; obtaining no-objection certificates from various agencies; getting water and gas connections, sewerage facilities, reliable electricity supply and access to roads; securing finances for greenfield projects; and using emerging technologies. The powers of inspectors from various departments and agencies are vast, and they can often determine the success of a business. The growing trend towards "informalisation" of the economy, particularly by small and medium enterprises, is best explained by the still dominant nature of the government at the local tiers: small and medium enterprises are reluctant to participate in a formal economy subject to government rules that are restrictive. More than 96 per cent of businesses documented in the Economic Census of 2005 fall into the "informal" category. While national policies are quite investor-friendly, the attitude of middle and lower functionaries of the government (in the provinces and districts) towards private business remains unwelcoming. Functionaries harass businesses in order to extract pecuniary and non-pecuniary benefits for themselves, and are distrustful, hesitant or even hostile towards private entrepreneurs. As a result, new entrant businesses must deal with multiple agencies, pass a high number of clearances and avoid delays, resulting in high costs. Unless the powers of officials working with small- and medium-scale businesses are curbed, competitive forces will not improve. Additionally, reforms to upgrade the quality and level of these officials should be implemented.

Another major area of reform is accountability. There is both too much and too little accountability of those involved in public affairs in Pakistan. On the one hand, too much emphasis on the ritualistic compliance with procedures and rules has taken the place of substantive concerns about the results and outcomes for welfare and justice. Also, a plethora of laws and institutions, such as the Anti-Corruption Bureaus, National Accountability Bureau, Auditor General's reports, Public Accounts Committees of the legislature, and the Ombudsman system, have created an atmosphere of fear, causing a lack of decision-making among civil servants. In addition, instances of rampant corruption, malpractice, nepotism, favouritism, waste and inefficiency have become common in the administrative culture of the country.

Transparency can be introduced by simplifying codification of laws, updating rules and regulations, and making use of e-governance tools. Dynamic websites and information kiosks would ensure wide dissemination of information about government activities. Creating online access to government functionaries aids citizens in carrying out hassle-free transactions. Further online access helps to publicise government activities and, in so doing, encourages the government to adhere to its own accountability standards. Strong pressure from advocacy groups, organised by civil society, can be applied to the media, political parties and private sector, and think tanks can also compel government departments and ministries to become more accountable for results.

A final area of reform must tackle the size, structure and scope of the federal, provincial and local governments. The division of responsibilities between different tiers of the government must be clarified and better delineated. The elongated hierarchy within ministries needs to be trimmed, and the relationship between a ministry, executive departments and autonomous bodies must be redefined. This area of reform includes reviewing the skills, incentives and competencies of civil servants. Entire human-resource policy, from recruitment to compensation, requires review and redesign.

The governance reform agenda outlined above cannot be implemented as if it were a technical exercise, because it is political, taking into account the existing power relationships in which the polity is rooted. Balancing the diverse interests of various stakeholders involves many politically difficult choices. The sustainability of reforms requires broad consultation, consensus-building and the effective communication of a long-term vision. Concerns, criticism and scepticism of citizens should be addressed. There will undoubtedly be adverse effects from the scope, phasing, timing, implementation strategies and mitigation measures of the reforms, and these effects should be widely discussed and debated. If events do not proceed the way they were conceptualised, corrective actions should be taken in the light of feedback received. Instruments that may be used for receiving regular feedback about the impact of reforms on society include citizens' charters, citizens' surveys and report cards, citizens' panels and focus groups.

Care should also be taken to ensure that governance reforms are not perceived by citizens to be driven by external donors. Resistance towards governance reforms by internal constituencies is quite strong to begin with; and as the argument that externally motivated reforms ignore context (and are therefore unsuitable) quickly gains currency and stiffens resistance, any indication that reforms are being carried out under external pressure will lead to their failure. There should be no harm, however, in looking at the successful experiences of other countries, gaining insights and learning lessons that can be tailored and applied to Pakistan.

Conclusion

This chapter has tried to address questions concerning governance and development, and has demonstrated that the Pakistan paradox – rapid economic growth combined with poor social indicators, poverty and inequality – can be explained by looking at the institutions of governance. The overall governance structure through which social and economic policies are intermediated has become corroded and dysfunctional, blocking the transmission of benefits of growth to a significant segment of the population. Starting with fairly sound institutions following its independence, there has been a gradual deterioration in the capacity of Pakistani institutions to deliver public goods and services equitably. Waste and corruption induced by patronage, and privileges exercised by the ruling elites, have created a large wedge in the distribution of economic gains; there is differential growth between different classes and regions. The manner in which the ruling elite continue to control institutions leaves the poor without adequate access to institutions whose very purpose is to serve them. A reform agenda has, therefore, been developed to strengthen these institutions of governance, and to ensure that rapid economic growth is enjoyed by all peoples of Pakistan.

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