

MALEEHA LODHI *editor*

# PAKISTAN

BEYOND THE 'CRISIS STATE'

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MALEEHA LODHI  
*editor*

# Pakistan

*Beyond the 'Crisis State'*

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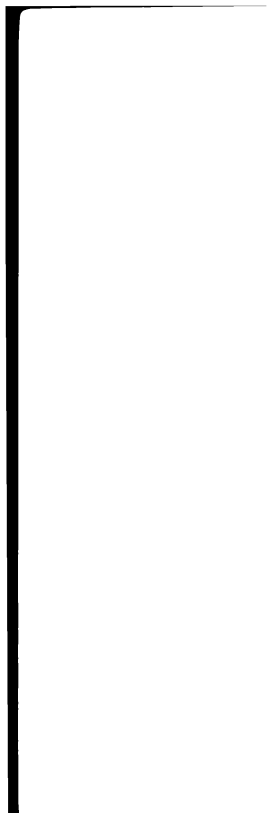
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*For the people of Pakistan, who deserve better*



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## RETOOLING INSTITUTIONS

*Dr Ishrat Husain*

In the last two decades theoretical and empirical evidence have offered a new insight: that broader socio-economic development including the distribution of the benefits of growth is determined by the quality of governance and institutions. Economic policies, however sound or benign they may be, cannot disperse the gains widely unless the institutions intermediating these policies are strong, efficient and effective.

Although it is hard to precisely define governance there is wide consensus that good governance enables the state, the civil society and the private sector to enhance the well-being of a large segment of the population. According to the World Bank,<sup>1</sup> 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. The key dimensions of governance are: public sector management, accountability, the legal framework for development and information and transparency.

Research by the Overseas Development Institute<sup>2</sup> has shown that the historical context, previous regime, socio-cultural context, economic system and international environment are the main determinants of governance and development.

The six core principles identified by Hyden et al.<sup>3</sup> that are related to good governance are: (a) Participation, (b) Fairness, (c) Decency, (d) Accountability, (e) Transparency and (f) Efficiency.

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Each nation's path to good governance will be different depending on culture, geography, political and administrative traditions, economic conditions and many other factors. The scope of activities allocated to the public and private sector diverges markedly and so does variation in scale. Yet governments share many features. They face similar responsibilities in that they need to establish a basic policy framework, provide critical goods and services, protect and administer the rule of law and advance social equity.

What has been the experience of Pakistan with respect to governance and how has the tension between the goal of collective good of society and the self-interests of state actors been managed? What can be done to improve governance and strengthen institutions to promote the welfare of the majority?

Most observers and analysts within and outside Pakistan firmly believe that the quality of economic governance and decision-making and the capacity of the key institutions have gradually deteriorated over time.<sup>4</sup> Pakistan's main problem in holding on to macro-economic stability, sustaining economic growth and delivering stability, sustaining economic growth and delivering public services to the poor is due to weak governance and a gradual but perceptible decline in institutional capacity. The elitist nature of the state<sup>1</sup> and the society, and both the conflict and collusion among the various power structures in the country can explain this phenomenon. It is not the content of public policies that has been wanting but the implementation of those policies that has proved to be the major culprit. The implementation capacity itself is a function of the vision and objectives of the political leadership, the competence of civil service and the capabilities of public institutions.

Improvement of economic governance has not been consistently pursued in Pakistan as implementation requires several decades while elected and military governments have short-term horizons. Elected governments, in their pursuit of winning the next election, and military governments, in their attempts to gain legitimacy, get bogged down in ad-hoc and occasionally populist measures without addressing the root cause: that is, building institutional capacity to deliver improved living standards for the majority of the population and setting up a viable governance structure. Personalised decision-making according to the whims and caprices of individuals at the helm has therefore displaced and informed well thought out institutionalised processes.



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Chronic political instability and frequent changes in political regimes have also caused disastrous consequences for economic governance. During the 1990s the changes were too many and too chaotic. Invariably, the incoming governments abruptly abandoned, discontinued or slowed down the implementation of the policies, projects and programs inherited from their predecessors. As institutions take a long time to nurture, the implementation of projects is spread over a multi year period and the impact of policies is felt with considerable time-lag, premature abandonment caused more damage than good. Starting all over again and before the benefits started accruing, the government was either overthrown or had to step down before completing its tenure. The incoming government began the cycle again with a fresh set. The majority of the populace never witnessed any benefits while unending costs were incurred by every successive regime.

The situation is quite the opposite in India as aptly summed up by Arun Shourie:

In India, there is a consensus in practice so that whenever a group is in office, wherever it is in office, it attempts to do the same sorts of things. But when it is in opposition, where it is in opposition, it strains to block the same measures. We have the Communists in West Bengal garnering credit for implementing reforms in the State that they are blocking at the Centre.\*

What is the effect of this unending cycle of politically motivated economic governance on the majority of the population? A sense of deprivation and denial of basic economic rights creates feelings of cynicism, negativism and frustration. The credibility of governments in power—any government—is completely eroded. Distrust of 'government' becomes so widespread and credibility of 'government' so low that unfounded and unsubstantiated rumours, mudslinging and suspicion about their motives assume a momentum of their own. In the last six to seven years the media, taking advantage of this widespread lack of government credibility have taken over the role of an opposition party and thus accentuated feelings of negativism.

Markets, on the other hand, function on sentiments. If market participants have confidence in the government and its institutions the overall result is stability in the markets. But if there is lack of credibility, an air of uncertainty, and crisis of confidence, the markets become nervous and jittery and high volatility is witnessed. However good and sound the policies may be, under these circumstances, private investment is hobbled and the economy suffers.

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A society with positive attitude will give enterprises far greater freedom to compete than a society that perceives businesses to be unethical or in partnership with the government for personal aggrandisement. Patronage and cronyism in the form of licenses, tariff concessions, tax exemptions to only a selected few or sale of public assets to the favourites of the rulers or appointments to key public offices not on merit but on the basis of loyalty, affiliation and friendship sharpen the negative sentiment. Therefore the program of privatisation of public enterprises, economically desirable and so badly needed, has almost been abandoned ever since the perception, right or wrong, gained currency that the Pakistan Steel Mills was being sold for too low a price to the cronies of the government.

Alesina's survey of literature<sup>7</sup> suggests that when the values of political-institutional variables are compared for the ten slowest and ten fastest growing economies in the sample, the slowest countries tend to be more ethnically fractionalised and more politically unstable. They also tend to have much poorer indicators of the rule of law and institutional quality, much higher black market premium and greater income inequality. Alesina et al.<sup>8</sup> found that political instability, government fragility (frequency of government changes and coup d'états) and socio-political instability (Political assassinations, riots and revolutions) have a negative effect on growth. Pakistan fits this model quite well as the frequency of government changes and socio-economic instability have been associated with low growth and macro-economic turbulence.

What are the essential ingredients of good economic governance? Participation, transparency, credibility, rule of Law, efficiency and accountability are now accepted as essential and are measured through indicators<sup>9</sup> such as (a) voice and accountability, (b) political stability (c) government effectiveness, (d) regulatory burden, (e) rule of law and (f) corruption.

How does Pakistan fare against these indicators? The common view about participation is that the Centre has assumed too much power and authority and this excessive concentration of power has led to inefficiency, social fragmentation, and ethnic divisiveness. Political leaders with the help of a small coterie of loyalists exercise absolute power and take all important decisions. Dissent within the political parties is hardly tolerated and Parliaments usually rubber stamp decisions taken by the leader of the party. Party cadres and National and Provincial assembly members are usually excluded from decision-making.

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Devolution of powers to Local governments introduced in 2001 was a step in the right direction to promote broader participation but has not been fully implemented either in letter or in spirit. The incoming governments, instead of removing the deficiencies revealed during implementation have decided to dismantle the system simply because it was the handiwork of the previous government. There is no consensus as yet on the contours of the new system. Meanwhile whatever access the common citizens at grass-roots level had begun to experience is being hampered because the power and authority are gradually reverting to the provincial capitals. It is quite ironic that while the Provincial legislators and ministers are quite vociferous in demanding autonomy from the Federal Government they are the most fierce opponents of devolution of powers to the local governments. This lack of consistency and absence of continuity in our governance structure have more hazards than is generally recognised.

Transparency in the actions of the government can be achieved by several means, i.e. hearings of Parliamentary Committees, question hours in the National and Provincial Assemblies, Freedom of Information Act, removal of several clauses of the Official Secrets Act, introduction of e-government and investigative reporting by competent and responsible journalists. Most of these measures exist but more in form rather than substance. In India, however, the Right of Information Act is bringing about a silent revolution and civil society is using access to information to expose corruption in public places and secure the rights of the poor. The bureaucrats have become more cautious as their actions are open to public scrutiny. In Pakistan, excessive misuse of newly acquired power by some media representatives in assassinating the character of political leaders or public servants without substantiation or evidence may prove to be more detrimental to the cause of disclosure and transparency.

The rule of law has been a subject of debate in Pakistan since March 2007. The lawyers' movement demonstrated that if a particular community gets rallied around a legitimate cause it could make a difference. The judiciary at the highest level is indeed trying to assert its independence, enforce the rule of law and expedite disposal of cases. But it is not clear if a common citizen is any better off today in terms of access to justice, speedy redressal of grievances, enforcement of contracts or property rights. The reality is quite sobering.

Efficiency, as measured by government effectiveness either in maintenance of security of life or property, law and order or delivery of

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basic services, has rapidly declined over time. Most institutions entrusted with these responsibilities at the time of independence were relatively well run. But the opposite is true after sixty-three years. It is only a rarity that a public institution is found to be functioning smoothly and effectively. The differential treatment meted out to the well-to-do and influential segments on one hand and the rest of the population on the other violates the principle of fairness and equality for all citizens irrespective of caste, creed or social status. But this deference to the rich and connected has become the norm of bureaucratic behaviour in Pakistan. With each change of government a new cast of political elites and well-connected influentials occupy the space vacated by their predecessors.

A number of laws and institutions exist in the name of accountability in Pakistan. Starting from the Public Accounts Committees at the Federal and the Provincial Assembly level there is a plethora of committees, bureaus and task forces, charged with this responsibility. The National Accountability Bureau made a very promising start and instilled some fear and induced a deterrence effect but this was only for a short period of the initial three years of the Musharraf government. Soon after, political compulsions gave way to a pragmatic approach whereby the impartiality and neutrality of the NAB came under serious questioning. Thus despite a very strong legal instrument and a well organised infrastructure of investigation, prosecution and courts, the practice of true accountability was once again set aside. Accountability has therefore lost its true sense and meaning in the vocabulary of governance and instead become associated with retribution, settling political scores and a tool for winning over opponents and witch hunting the recalcitrant.

The strategy for bringing about improved governance in the context of Pakistan would involve the breakup of the monopoly of economic and political power that has been amassed by a small class of politicians, large businessmen, military and civil service officers, professionals and *zamindars* over the last five decades. The locus of power has become too much tilted in favour of entrenched interest groups and only a reduction in their power will be able to improve the quality and standards of living of the majority of the population. A more difficult question that remains unanswered is: How can this be done? This is an arduous task and there should be no illusions about it. All that can be done at this juncture is to spell out a long term agenda for system-wide

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reform based on diagnosis, field observations, evidence and consultations with stakeholders.

As the agenda for governance reforms spans over the tenures of several elected governments it is difficult to find ownership for these reforms. An enlightened leadership that has a sense of history and is not totally driven by the politics of electoral cycles can implement this agenda. The main ingredients of the agenda for governance and institutional reform<sup>10</sup> would consist of:

- a) Improving the quality and performance of Civil Services.
- b) Restructuring the organisation of the Federal, Provincial and District governments.
- c) Revamping the mechanism for delivery of basic public goods and services.
- d) Strengthening key institutions engaged in economic governance.
- e) Introducing checks and balances in the system by building up the capacity and authority of certain institutions of restraint.

### *Civil Service Reforms*

In a recent study on Pakistan's Civil Service,<sup>11</sup> the International Crisis Group (ICG) concluded that:

Decades of mismanagement, political manipulation and corruption have rendered Pakistan's Civil Service incapable of providing effective governance and basic public services. In public perception, the country's 2.4 million civil servants are widely seen as unresponsive and corrupt, and bureaucratic procedures cumbersome and exploitative.

To remedy this situation the best talent available in the country has to be attracted to the civil services, and a holistic approach that affects the entire human resource policy value chain has to be implemented.

The main elements of this value chain are:

- a) Recruitment at all levels and grades of public services should be open, transparent, merit based with regional representation as laid down in the Constitution. These principles have been successfully practiced for decades, e.g. Pakistan Atomic Energy Commission, National Highway police, State Bank of Pakistan.
- b) The artificial distinction between superior and non-superior services has to be replaced by the equality of all services at all Pakistan, Federal and Provincial levels. Terms and conditions of all the serv-

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ices in matters of recruitment, promotion, career progression, compensation, would be similar. The specialists and professionals would have to be brought at par with the cadre services.

- c) To provide equality of opportunity to all deserving civil servants, National Executive Service (NES) and Provincial Executive Services (PES) ought to be constituted to man all the Federal and Provincial Secretariat and senior management positions. The selection should be made on merit by the Public Service Commission with due regard for provincial quota and reservation for women. The NES ought to have three streams—General, Social Sector and Economic Sector, thus promoting some limited specialisation among our civil servants.
- d) Training of all civil servants should be mandatory at post-induction, mid-career and senior management levels. Promotions to the next grade ought to be linked with completion of training at various stages in the career.
- e) Promotions and career progression for all public sector employees should be determined by their on-the-job performance, responsiveness to public and training outcomes.
- f) The present outdated system of Annual Confidential Reports (ACRs) should be replaced by the modern Performance Management System (PMS), which evaluates performance objectively and identifies and provides development opportunities to individual employees.
- g) Compensation packages should be revamped to reflect market conditions and a decent living wage and retirement benefits should be made available to all public sector employees. Corruption among the majority of civil servants cannot be curbed by moral persuasion but by providing them with an adequate compensation package. To keep the wage bill of the government within the limits of the fiscal deficit, a freeze should be imposed on fresh recruitment to lower grades except for teachers, health workers and police.
- h) As most of the interaction between an ordinary citizen takes place at the district level and the present level of functionaries consists of ill-trained, poorly paid, unhelpful, discourteous individuals enjoying arbitrary powers, District Service should be constituted for each District Government. This will minimise the political pressures for transfers and postings as 1.2 million out of 1.8 million employees working in the provinces will remain in their respective District

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Governments. Training in technical and soft skills will be made mandatory for all members of the District services.

- i) Education, health, police and judiciary which are critical for delivery of basic services should be excluded from the uniform Basic Pay Scales as it has created serious distortions. The backward districts and regions are lagging behind as the teachers, health workers, etc. have no incentive to serve these areas. Local labour market conditions of demand and supply should determine the salary structure of teachers, health workers and other professionals.
- j) Security of tenure of office for a specified period of time should be guaranteed and implemented. The current practice of frequent transfer at the discretion of the political leaders has weakened the moral fabric of the civil servants who cannot withstand the social and financial costs of dislocation and at-times ostracisation. Pleasing the boss, whether or not his orders are legal, has become the norm, making fair and impartial dispensation of services difficult.

### *Restructuring Federal, Provincial and District Governments*

Two significant structural changes of a historical nature have taken place under the PPP-led coalition government that came to power in 2008. First, powers and functions on the concurrent list under the constitution have been transferred to the Provinces making provincial autonomy a more meaningful and operational concept. Second, the 2009 award of the National Finance Commission has tilted the balance of resource distribution in favour of the provincial governments. Henceforth, the provinces rightfully would receive a larger share of the divisible pool. The next logical step is to form Provincial Finance Commissions and divide the resources among the Provincial and district governments. This requires demarcation of responsibilities between the two tiers, which is currently in a state of flux. The devolution of twelve departments from the Provincial Government to the districts has improved access to basic services by the common citizens compared to the previous system. Local elected representatives are more responsive to the needs of their constituents in contrast to the Provincial and National Assembly members, who after getting elected, become quite inaccessible. They spend most of their time in Islamabad or provincial capitals and visit their constituencies for a day or two in the week. The local representatives, on the other hand, are available and accessible 24/7.

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The 2001 Local Government suffers from many weaknesses including excessive strengthening of the office of District Nazim—an indirectly elected leader. Law and order, maintenance of revenue records and crisis and disaster management are the functions that require impartial and neutral administrators. The Local Government System should eliminate these weaknesses but the present efforts of the provincial governments and legislators to restore the 1979 Local Government System and completely dismantle the 2001 system would be a retrogressive step—a step away from good governance.

Several studies<sup>12</sup> have produced evidence that the choices of development projects made by local councils had superior outcomes and more efficient resource allocation and utilisation compared to the centralised approvals made at the provincial capitals. Twelve devolved departments should remain the responsibilities of the District Governments with further devolution to the Tehsil and Union Councils. Provincial Governments should formulate policies, set up standards of performance, monitor the finances, performance and outcomes and take punitive actions against those indulging in malpractices and corruption. Well-functioning Local Governments can, in fact, bring political dividends as the population is better served and feels satisfied with the services rendered by the government. In an ethnically diverse society a sense of direct participation in local governance is essential.

The main reforms that are required to implement the Eighteenth Constitutional amendment as well as the NFC award are:

- a) The Federal Government should immediately shed powers and functions from the concurrent list to the provincial. Given the ethnic and regional composition of the country and the growing needs of an expanding population, the provinces and districts have to be empowered. A National Council of Ministers, consisting of the Federal and Provincial Ministers working under the Council for Common Interests (CCI) should formulate the national policies for these transferred subjects. Consequently, the number of Federal Ministers can be cut to one half and the number of Divisions reduced by one third. In view of the new challenges that are facing the country, some new ministries, for example, for energy, human resource development, social protection etc., should be established.
- b) The existing large number of autonomous bodies and attached departments and corporations at the Federal and Provincial levels should be regrouped and rationalised through merger, privatisation



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and liquidation, which will save enormous financial resources that can be diverted towards basic service delivery.

- c) The District Government has to be strengthened by establishing administrative linkages between the Union Councils, Town Committees/Tehsil Councils and District Governments. Executive magistrates have to be revived and Law and Order, Disaster Management and Land Record Management taken away from the purview of the District Nazim.
- d) E-government tools and development in digital technology should be utilised for improving the efficiency of government, reducing the costs of transactions, conveniencing ordinary citizens, introducing transparency and reducing discretionary powers and corruption and tracking the performance and output. Training of those already working in the government should make a smooth transition from a paper-based environment to electronic filing, messaging, sharing and exchanging of documents, retrieving, reporting and archiving.
- e) Uneven and discriminatory application of government rules, regulations and instructions are also a source of grief to citizens. A number of junior functionaries exploit their knowledge of the rules for their personal benefits. Multiple rules exist on the same subject as there has been no systematic weeding out exercise undertaken. All government manuals ought to be revised, updated and then uploaded on the websites of the government so that they are accessible to the public at large.

### *Reforms in Delivery of Basic Services*

- a) Education is badly needed to increase literacy in the country. Clear boundaries in the delivery of education have to be demarcated. The Federal Government should focus on higher education financing, regulations and standards and curriculum, the Provincial Governments on college, technical and vocational education and the District Governments on primary and secondary education up to matric. Examination reforms have to be carried out to bring the standards of various boards at par. Management and teaching cadres should be separated and the career paths for the two cadres should not discriminate against the teachers.

To bring about coordination and ensure uniformity in standards of public, private and not for profit schools, a district education

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board consisting of eminent citizens of integrity and competence should be established in each district. The Board should be assisted by the school management committees empowered to oversee the school's functioning. Head teachers will enjoy more administrative authority in running the schools and disciplining the teachers with the Board arranging inspection of schools periodically. Endowment funds should be established to provide scholarships and financial assistance to the poorer talented students. Student vouchers or stipends should be given to meritorious children from the poor families to attend private schools of their choice. Private-public partnerships should be encouraged and offered incentives. Only female teachers should be employed where possible.

- b) Most of the problems in health care delivery arise not from financial constraints but poor management practices. A health management cadre should therefore be separated from teaching, and service providers and those selected as health managers trained at the health academies. The district, teaching and specialised hospital should have their own autonomous board of directors with full powers for administrative, financial, legal and human resource matters and accountability. Health manpower development, the nursing and paramedical professions, should be given priority. Health regulatory framework should be made more effective and decentralised to the Provincial Governments.
- c) There is almost a consensus that law enforcement and security problems that have worsened in the recent years have in large part reflected the inefficiency, corruption and politicisation of the police force. The original Police Order 2002 has been compromised by amendments that have weakened the functioning as well as the accountability of the police. Legislative amendments and revised disciplinary rules are needed to allow police officers to perform their duties in accordance with the Police Order. Disciplinary rules of police forces should be like other uniformed forces and not fall under the purview of the Civil Servants Act. Investigation and prosecution are the weakest functions that are resulting in low rates of conviction by the courts. Judicial reforms at the lower level are also badly needed both for expeditious disposal of cases and honest adjudication of disputes. Police stations should be merged, upgraded their records computerised and headed by a directly recruited Grad 17 officer with full responsibility for watch and ward, investigation

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and operations. Training, allowances, mobility, logistics support, lodging and boarding, medical facilities and welfare of the police force should be reviewed and strengthened. Traffic Police in all large cities should be organised and operated on the lines of Motorway Police.

- d) Land records as maintained by the Patwari are the single largest source of disputes and litigation in the country. The attempts to create a digital database of land records have remained half hearted. Land revenue assessment and collection, adjudication and dispute resolution should remain under the District Government but the maintenance and update of land records should be taken away from the District Government and placed directly under the Board of Revenue. Patwari should be replaced by a Revenue Assistant recruited through Provincial Public Service Commission. Priority should be given to complete the computerisation of land records. Colonisation of Government Lands (Punjab) Act 1912 should be revised for better and transparent allocation and use of state land.

### *Strengthening Key Institutions of Governance*

About a hundred key public sector institutions in the country such as PIA, WAPDA, OGDC, PEPCO, Pakistan Railways and Pakistan Steel, suffer from multiple problems—political interference, nepotism in appointments, over-manning, subsidised pricing, leakages, waste, and corruption. As a result, the budget has to allocate almost 20 per cent of all tax revenue to meet recurring losses or subsidies to those corporations. There have been serious questions about the appointments of chief executives and the boards of these organisations. Professionalisation of these institutions is the only way out to make them financially viable and operationally efficient. The process of appointments has to be made transparent and merit-based so that the Chief Executive or the Board member is chosen through a well laid out procedure. This process should minimise discretionary powers in appointments and attract capable candidates for these key jobs, which will make an enormous difference in the quality and efficiency of these organisations.

Several of these institutions are included in the government's agenda for privatisation. It is imperative that these institutions are privatised sooner rather than later. For others that are retained in the public sector, and particularly public utilities and other monopolies, strong regulatory agencies should be put in place.

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The selection process starts by identifying a broad pool of eligible candidates through open advertising. Only those who meet the job requirements are selected through a competitive process. They are provided with operational autonomy, paid competitive remuneration packages and held accountable for results. Special Selection Board (SSB) should be constituted for the recruitment of the Chief Executive Officers (CEOs) and the Board of Directors in all of these 100 institutions. The SSB, after interviewing the shortlisted candidates, would submit a panel of three candidates to the Prime Minister for selection as chief executive and recommend a panel of names for the membership of the BoD.

### *Institutions of Restraint<sup>11</sup>*

A few institutions can play a restraining influence on mis-governance and excessive discretionary powers by the government. These institutions fall into two categories: formal and informal. Under the former there are two distinct classes: state-centred and civil society-centred. Historically, the emphasis has been on state-centred institutions and it is only recently that the civil society-centred institutions such as the media and NGOs have begun to assert themselves.

Trust, social capital, and civic norms—the pillars of informal institutions have also eroded gradually in Pakistan during the last few decades. Mistrust, suspicion and divisiveness have instead taken hold. So in effect both the formal and informal institutions of restraint have decayed and need to be resuscitated.

A schematic representation of the institutions is provided in Table 1.

Among the state-centred institutions the judiciary is at a much higher plane than any other institution and underpins the whole system of accountability. In addition to the judiciary, there are at least eight institutions that can make a difference. The first are the Parliamentary committees particularly the Public Accounts Committee. Bipartisan committees chaired by respected and qualified MNAs or Senators and staffed by full time professional and technical personnel should hold regular hearings, confirm the appointments of those heading these institutions, receive annual reports of performance, question reported irregularities and recommend action against those found responsible for wrongdoings. All procurement contracts above a certain financial limit, all fiscal exemptions and concessions and modifications to th

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Table 1: Institutions of Restraint in Pakistan

<i>Spheres of Influence/Restraint</i>	
<b>FORMAL</b>	
<i>A. State-Centred</i>	
Judiciary	Protection of Basic Human Rights, Security of Life and Property, Contract Enforcement
Parliamentary Committees/ Accounts Committee	Avoiding misuse and abuse of discretion powers of the Executive branch
Auditor General	Detecting and reporting of financial irregularities in public accounts
Ombudsman	Redressal of grievances of citizens against the excesses of public sector agencies
Public Service Commission	Transparency in appointments and promotions to Civil services
State Bank of Pakistan	Probity, supervision and regulation of the financial institutions
Federal Election Commission	Screening of candidates for the elected public offices on the basis of integrity
Securities and Exchange Commission	Ensuring high standards of Corporate governance in publicly listed companies
National Accountability Bureau	Curbing corruption and misuse of public office for private gains
<i>B. Civil Society-Centred</i>	
Media	Investigating and reporting of instances of corrupt practices in the country
Non-governmental Organisations	Monitoring and advocacy of Governance issues and participation in delivery of social services
Academic Institutions/Think Tanks	Research and analysis of the performance of the state organs, media and NGOs
Professional Organisations	Providing inputs into a participatory decision-making process
Private Sector Organisations	Regulating code of ethics among the private sector
Religious Bodies	Building trust and harmony among various groups of society
<b>INFORMAL</b>	
Trust	
Social Capital	
Civic Norms	

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tax provisions should be placed before the PAC. The proceedings of these Committees should be open to the public and the media.

Second is the State Bank of Pakistan. An independent and autonomous State Bank provides a guarantee against the excessive and irresponsible actions of politicians and bureaucrats in economic management. At the same time its regulatory and supervision functions act as a safeguard against possible malpractices in the award of credit and recovery of loans. It must be recognised that there has already been significant improvement in the working of the State Bank since it was granted autonomy in the 1990s. The banking sector in Pakistan, after the reforms of the last decade, has emerged quite strong and was able to withstand domestic and external shocks.

Third is the Auditor General of Pakistan. The constitutional protection given to the office of the AG has not been fully utilised in Pakistan to unearth and detect financial bungling rampant in public sector agencies. The extended time lapse between the occurrence of the financial irregularity and actual detection and reporting by the Auditors has improved in recent years. But the lack of professional expertise and lack of prioritisation among core and peripheral cases still mute the efficacy of this office. AG organisation should be converted into a supreme audit institution with autonomy, resources and accountability to Parliament. The AG should commission third party audits by professional firms of repute, use the broader 'value for money' concept and enlarge its scope of activities to cover all major public sector commercial and industrial enterprises particularly WAPDA/KESC, Sui Northern/Southern, Railways, Steel Mill, OGDC, PIA, etc.

Fourth is the Securities and Exchange Commission. Capital markets in Pakistan are very shallow and have not played an effective role in intermediation required in an emerging market. Corporate governance of the publicly listed companies is weak and dominated by major family shareholders with due regard to the right of minority shareholder. Insider trading is perceived to be widely rampant and disclosure of information standards is loosely enforced. The SEC needs operational autonomy, resources and skills to carry out its mandate.

Fifth is the Federal/Provincial Public Service Commission. Most of the current difficulties in governance have arisen due to the politicisation of the higher services in the post-1973 period. There is general recognition that the merit-based system of recruitment, appointments and promotions, served the nation better and the present sifarish based

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and buy-the-post system is causing havoc. The responsibilities for all recruitment and promotions should be reverted to the Commissions without exception. Only men and women of proven integrity and impeccable credentials should be appointed as Chairman and members of the Commission.

Sixth is the Federal/Provincial Ombudsman. The fanfare with which these offices were established under the Zia-ul-Haq Government died down fairly quickly. They are now perceived to be grinding the same millstone as the rest of the bureaucracy. In fact, they can become an effective instrument for quick, fair and judicious redress of grievances of ordinary citizens against the arbitrary harassment of the overzealous or corrupt officials. There are very few people who are aware of the scope and mandate of this office and who have trust in the organisation. A proactive educational role, a demonstrative effect of its reach accompanied by selection of the right persons to the job can make it work.

Seventh is the Federal Election Commission. A powerful, independent and assertive FEC can play a preventive role by careful screening, scrutiny and investigation of the candidates for all tiers of elected offices and disqualifying those who are ill reputed and of dubious character. They should forcefully enforce the criteria prescribed under the Constitution augmented by appropriate rules and regulations. This fundamental shift in the quality of our elected public officials would bring about a significant change in the overall structure of governance in the country.

Eighth is the National Accountability Bureau (NAB). The law establishing the Bureau was quite a significant measure in holding to account the corrupt and those who derive personal gains from public office. But the implementation of the law was selective and the Bureau soon lost its credibility and moral authority. The recent move to place the Bureau under the Ministry of Law is a step in the wrong direction. The Bureau or its successor organisation should be given complete operational and financial autonomy and protected from political interference. It is the fear of the Bureau that should act as a deterrent.

### *How can these Institutions of Restraint be Strengthened?*

There are certain pre-conditions under which these institutions of restraint can be strengthened. First, a system of checks and balances

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can flourish only if various countervailing forces such as the parliament, judiciary, media and the civil society organisations are allowed to play an independent role. There should be no presumption that any one entity whether it is the executive or the judiciary or the media or civil society will enjoy monopoly power or act as a self-righteous body of vigilance. It is the interaction of these various entities and balance between them which will generate the optimal results. Second, no new institutions are being proposed but only the revitalisation, revamping and re-engineering of those already in existence under the constitution is being suggested. There is a common tendency and an easy way out for both national government and international donors to abandon the existing institutions and create new agencies which start out with a big bang but soon fall prey to the same whirlpool of inaction and ineptitude. The reasons for failure are the same as those which explain the non-performance of existing institutions. Unless the underlying dynamics is set right the institutional morass will grow. The history of Pakistan is laden with the creation of a plethora of new institutions which have been given blurred mandates, inadequate resources, little operational autonomy and are never held accountable for results.

Finally, this proposal does not favour the periodic, swift, abrupt highly visible and publicised, extra-institutional measures against recalcitrant officials which have been the norm in Pakistan since the 195 screening of senior civil servants under Ayub Khan. The subsequent actions by successive governments resorting to the purge of 303 or 1500 civil servants paradoxically created greater insecurity, uncertainty and unpredictability which are the breeding grounds for increased corruption.

The approach advocated here is to create an environment whereby the acts of misdemeanour and malfeasance are exposed routinely; increased vigilance and scrutiny is exercised continuously, early detection, investigation and fixing of responsibility are carried out resolutely and disciplinary actions against those found guilty are taken promptly. Such an environment would act as a more effective deterrent in curbing corrupt practices than creating many laws and anti-corruption agencies with enormous powers which are misused. This approach will not work if the federal and provincial investigation agencies are not organised on modern and professional lines. It will also be difficult to implement if the government does not do away with the widespread and mindless application of the Official Secrets Act which has encouraged opacity.



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decision-making by politicians and civil servants. Outside the matters of national defence and internal security, all decisions—particularly in matters of public finance, foreign trade, contract awards and allocation of other public resources—should be wholly transparent and made public liberally under the Freedom of Information Act.

These eight pillars of good governance can together make the difference, provided (a) they are headed by widely respected, strong and competent managers of known integrity (we have many of them in the country); (b) the terms of reference, responsibilities, functions and powers of these institutions are clearly defined; (c) there is no political interference in their working but at the same time they are held publicly accountable for their actions and the results; (d) they are providing adequate financial resources and professional staff of calibre; (e) they follow open and transparent procedures and processes. To ensure non-partisan political support for these institutions their heads should be confirmed by the Parliamentary Committees. In this way, the changes in the government will not disrupt their smooth functioning.

Together, these eight pillars, if allowed to work effectively, will be able to plug in some of the conduits that lead to corrupt practices. The most difficult question to answer is: Who will bell the cat? Who has the courage to put these changes in place? Of course, an enlightened government that has a sense of history rather than sights fixed on the next election. Pakistan has not been fortunate in having such a government so far.

### *Conclusion*

The story of Pakistan provides ample confirmation of the validity of theoretical literature and empirical evidence about governance in developing countries. The distinctive characteristics that dominate the Pakistani scene, are the elitist capture of the state, excessive centralisation of power by both the elected and military rulers, chronic political instability and until recently collusion between the power structures—the politicians, the Army and the judiciary. The conflicts that took place at times between these power structures were not rooted in benign balancing acts for the larger collective good of the society but assertion of the authority by different actors to advance their narrow interests. Unlike other societies, the cost Pakistan had to pay for poor governance and institutional decay has been very high.

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The path ahead is clearly defined. The agenda for reforms has to be carved out in the light of historical experience, internationally established best practices and the various characteristics peculiar to the Pakistani situation. This can form a logical sequence to the Eighteenth Constitutional Amendment and the National Finance Commission Award of 2010. There is an urgent need to realise that only taking this reform agenda to its culmination point over the next five years can complete the value chain.