

GOOD GOVERNANCE IS GOOD POLITICS¹

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Pakistan has been facing a unique and difficult dilemma for quite some time. Government leaders of the day are unhappy that they are unable to deliver upon the commitments they had made to the electorate at the time of the elections. The political leaders complain that the policy formulation is weak, Policy-Performance Gap is widening every day, and implementation of decisions almost non-existent. The bureaucrats are unhappy that they are not allowed to do their job because of interference by the politicians. The citizens and society are highly disenchanted and dissatisfied as they are unable to access basic services the state has to provide to each citizen – Security of life and property, administration of justice, education, healthcare, water, sanitation, infrastructure, electricity, gas, prices stability etc. Consequently, credibility of each successive government is eroding rapidly among the public at large creating trust deficit in the political leadership and democratic form of governance.

If each crisis that Pakistan is facing today – energy shortages, low tax revenues, losses of public enterprises, corruption, poor law and order, arms, drug smuggling, non-availability of land, housing and transport – is carefully dissected and examined, the root cause will be found in governance deficit and institutional decay. Civil services have lost their dynamism, vigour and sense of mission. Parliament is not properly exercising the vigilance over the Executive Branch and holding them accountable for results, the court system is overloaded and congested with millions of cases lingering on for long periods of time. Institutions of restraint such as the Elections Commission, Auditor General of Pakistan, Public Services Commissions etc. have become controversial.

At the same time, the rising numbers of educated middle class and growing urbanization, the intrusion of electronic and social media in the daily life, the demonstration effect emanating from a globalized economy have raised the expectations of the society. The capacity of the state to meet these expectations is becoming weaker every day.

¹ Chief Guest Address to the Elite of the City of Karachi at the English Speaking Union of Pakistan on February 19, 2015

The frustration of the ruling political parties and the dissatisfaction of the general public can both be reconciled if serious governance reforms are undertaken and institutions are strengthened. The problem has however, become even more difficult as informal institutions of governance in Pakistan have also weakened. Nepotism, Favoritism and corruption have become entrenched social norms. Trust and social capital ,on the other hand which play a positive role are eroding rapidly. Social polarization of ‘US’ versus ‘THEY’ has become part of our norms reinforcing tendencies of adversity, confrontation and hostility.

A question often asked is that when current economic ills have been diagnosed and we know what needs to be done, why doesn't it happen? The reason is the inherent disjuncture between the political risks a ruling party is willing to take and the economic rewards accruing through prudent economic management that will take care of these economic ills.

This asymmetry between the incurrence of the costs and the appropriation of benefits lies at the heart of the non-reformist stance of democratically elected governments. Prudent economic management requires control on public expenditures, raising unpopular taxes, removing subsidies, stripping off public sector corporations, restraining non-productive job creation in the government departments/ agencies, tackling corruption and waste and appointing the right person to the right job. The rewards of this prudence will appear in the form of reduction in fiscal deficit, lower inflation, monetary and exchange rate stability, resurgence of growth and decline in indebtedness.

Economic rewards , however, become available with the passage of time when the ruling party or the coalition may no longer be at the helm of the affairs and the credit may be claimed by their opponents. Furthermore, the benefits are spread widely and diffused over a large segment of population – not necessarily among the supporters of the ruling party that has taken unpopular decisions to set the economy on the right path. As a matter of fact some of the supporters of the ruling party or coalition may actually be deprived of their privileges and pelf as a result of these reforms.

What are the immediate or short term political costs? In a constituency-based electoral system, the sitting elected representative has to satisfy the expectations of the people at the local level. These people are least concerned with larger macroeconomic issues but are preoccupied

with their own bread and butter issues. They want roads, electricity, drinking water, schools, clinics, fertiliser, cooking gas in their areas, whether these are economically justified or not. They want subsidies on irrigation water, electricity, gas, seeds, fertilizer and tractors. They want jobs for their sons and daughters and do not care if the latter are qualified for the position or not.

The aggregation of these local demands at the national level creates a catastrophe for the fiscal and macroeconomic situation. The public sector is overstaffed to accommodate the constituents' demands. Subsidies are administered without any targeting and wreck fiscal accounts. Development expenditure on unviable projects and at inflated contract prices is made liberally, forcing the government to borrow while funds are siphoned off as kickbacks, commissions, payoffs by the politicians to build the war chest for election expenses.

Further, when jobs are dispensed on the basis of connections rather than merit, performance is unlikely to be stellar. If the SHO, tehsildar, Irrigation SDO, teachers and other officials are posted at the recommendation of the local member of assembly, they have no choice but to oblige him and his supporters and harass and harm opponents. It doesn't matter if the law and order situation deteriorates, crimes rises, revenue collection declines, water is wasted.

The constraints of constituency politics are exacerbated by the dynamics of coalition politics. As Pakistan is likely to be governed by a coalition in the future, minority partners will extract a price in return for providing support to the government. Threats to quit the government on one pretext or another weaken the resolve of the majority party to take tough but right economic decisions. The resistance against the General Sales Tax by one of the components parties in 2010 ultimately led to the breakdown of the agreement with the IMF, causing irreparable harm to the economy. The majority party could not do very much as its very survival was at stake.

It may appear at the first sight that the compulsions of political expediency are at loggerheads with the dictates of good governance and prudent economic management. This is true in the short run but not in the longer term. If a well-meaning finance minister, worried about the economic decline and dysfunctional economic institutions, sticks his neck out with corrective measures, he is vehemently opposed by his cabinet colleagues. He is accused of sabotaging their chances of victory at the polls, alienating their voters and eroding popular support. Insinuations and false allegations are hurled about in the media to weaken his resolve. The collective wrath, outrage

and intrigues against him become so ferocious that he has either to backtrack, soft pedal or put his proposals on the back burner. Those who resist the pressure and persist with their views are shown the door.

How can this in-built tension between political risks and economic rewards be resolved?

The point to remember is that this tension is not unique to Pakistan but is commonplace among most democratic countries. Those who succeeded in resolving this tension were visionary leaders with a sense of history and their place therein. They had foresight, which extended beyond the next electoral cycle. They chose competent persons to head key institutions, gave them power and held them accountable for results without interfering in day-to-day affairs. They selected and retained ministers who could deliver on the goals assigned to them – fix energy shortages, build sound infrastructure, increase educational enrolment etc.

This type of visionary leader realized that he and his party would ultimately look good if the benefits of his policy and management are widely and evenly distributed across the various segments of population. The local politician would derive support in this constituency on the basis of this general boost in economic growth, employment opportunities, higher incomes, access to education, health and drinking water; he can bask in the glory of achievements of his party in power.

The visionary leader made his party realize that the game they were playing – selective benefits to a few – was fraught with greater political risk. With a vocal media and a vigilant civil society at hand, the tales of their corruption, nepotism and misuse of power are exaggerated by their opponents and disseminated widely bringing them and their party a bad name. But if the country and its people enjoy the fruits of economic development and prosperity, the party can use this track record to convince the electorate to vote them back into power. The chances they would have are quite high. In this scenario, the political risks are minimal and economic rewards are maximized.

Why has there been an unwillingness or resistance to implement the reforms if every Government feels the heat and wrath of the general public and is unable to perform. The reason

is that the proposed reforms attack the existing system based on patronage, loyalty, connections, mutually benefitting bargains and deals and narrow personal and parochial interests.

The new system that cannot replace the existing system overnight or even in a few years lays down merit, hard work, ethical behavior and reward for performance as the underlying principles.. The ordinary politician who has to face his constituency would not be able to place his supporters in lucrative governments jobs, award juicy contracts to them, get officers loyal to him appointed as DG, SP, Tehsildar and SHO. From his viewpoint these reforms are an anathema because he loses all the levers of control which he exercises through this patronage system. This disconnect between the costs to be incurred by elected politicians in form of losing their privileges, power and pelf immediately as a result of these reforms and the benefits that are invisible, diffused and uncertain and will accrue in distant future is the primary reason as to why no government has bitten the bullet and implemented the long term structural reforms agenda.

The critical test for the political leadership is to consider is whether in 2018, the economic situation look attractive enough that the people would vote them back to power. Leaving aside voters in some traditional rural areas -- where biradari and kinships, tribal affiliations and landlord-peasant relations dominate -- the youth, who now form a considerable size of the electorate, will be the new element in the equation. The new census will show that the urban constituencies will form at least 40 percent of the total electorate.

The ruling parties can only keep the youth of today contented and happy if they are able to provide them jobs, essential food at affordable rates, clean drinking water, healthcare facilities and education to their families. Security of life and property and providing an expeditious and inexpensive justice system also remains a challenge and a must. To fulfill these aspirations, Pakistan needs good governance, sound economic policies and management. But are the political parties trying to strengthen these factors?

The answer is a firm “no.” On the contrary, the political parties do not realize that by creating jobs in the public sector for few of their loyal supporters and saddling the exchequer with financial burden, they are amplifying the fiscal deficit. For each job only one person is obliged by the politician, while 99 other potential or actual supporters, who do not get that job, are disappointed. The politicians end up with the worst of both the worlds. They not only alienate

the majority for the sake of a few, but also unwittingly contribute to the problems of fiscal deficit, debt and inflation.

How can we preserve the lives and the property of common citizens when policemen are appointed not on their suitability for the job but on the recommendations or sifarish and political affiliations? How can electricity, gas or water become available to consumers and businesses when these services are heavily subsidised across the board, poorly managed and theft and pilferage are rampant with the active connivance of the politicians? How can the government balance its books when taxable private incomes or dutiable goods are left out of the tax net either because of corrupt officials or the influence and patronage of politicians? How can development projects bring benefits to the people when contracts are awarded to cronies?

Growth, poverty reduction, employment creation, low inflation and investment will gain strength if there is a positive market sentiment and a general upbeat mood among consumers and businesses. In other words, the investors and businesses have confidence in the foresight and capabilities of policy makers and the leadership. As a result of this confidence, investors will sense a positive return on their future investment and expand or build a new capacity for goods and services. This heightened economic activity will create jobs, reduce unemployment, add to purchasing power and thus raise aggregate demand. It will naturally boost growth rates and results in more taxes because of higher incomes, filling in the fiscal gap.

The salaries of public servants can be revised upwards and development spending on energy, transport, infrastructure, education and health can be accelerated as additional resources become available. Shortages and supply bottlenecks in the energy sector -- that cripple the economy and create disaffection among the people -- will be eased, lowering the costs of doing business, making Pakistani goods competitive in the international markets and cooling tempers of the households. Looking at the successes of the domestic investors, foreign investors will also bring in capital, know-how and technology. This scenario would create conducive conditions for the political party in power in 2018.

How can this virtuous cycle replace the current vicious cycle?

The answer lies in the sagacity and wisdom of our leadership. If policy decisions are based on considerations of "what is good for the majority rather than for me and my supporters," if appointments to key positions are based on merit rather than connections and loyalty, if tax evaders are penalised instead of being condoned, if law enforcing agencies are kept away from political interference and if those indulging in corruption, waste and self-enrichment are taken to task, the benefits will ultimately accrue to the ruling party. The voters will be happy because the forest will look greener and dense for the real, the outgrowth between the trees will disappear providing better nourishment to the trees, the trimming of trees and the freeing up of space in between will add to the efficient resource exploitation for the betterment of the majority. A healthy political forest with neat, clean and productive trees is what the country needs today. The ruling political parties should realise that such a forest will ensure the electoral victory and at the same time giving rise to a healthy and vibrant economy. There is a lot of truth in the saying that "good governance is good politics".

Why doesn't this happen?

There is a conflict between individual and collective interests and between short- and long-term goals. Policy makers must abandon the short-term and narrow goal of maximising benefits for themselves and their loyalists. Little do they realise that when each politician extracts a large piece of pie for himself and loyal supporters, very little is left for the majority. And without the majority vote, their party cannot come back to power. Coalition politics is not stable. Our leaders must wake up to the reality that demographic changes with a large number of youth as voters, growing urbanisation, rising middle classes and vibrant media, social networking through the internet are bringing about significant though not so visible changes in the political landscape even since 2008. Unless they shift their tactics and do not come out of the smugness of their past glory, they would be in for a big surprise in 2018.