

COUNTRY PAPER: PAKISTAN BETTER GOVERNANCE FOR INCLUSIVE GROWTH

Nations form societies for their survival and growth. As argued by Alam (2008) that a social setup is not just a cluster of groups living with harmony but it is an integration of systems ensuring discipline, basic human needs and rights, facilitation and services in all spheres of life to all members representing various groups in society. Good governance is considered abstract and indeterminable (Alam, 2009). Despite its complexity, the social scientists and institutions interpret good governance through the hallmarks mainly recognized as participation of all stakeholders in society in political system, leadership, consensus based decision making, rule of law and justice, transparency in policies and procedures, surety of equity, responsiveness to problems, overall work effectiveness and efficiency, unbiased accountability and a stable economy (Taylor, 2000). “Good governance is further believed to be free and immune from corruption and social injustice. Governance constitutes for {ordinary people} a duly 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, criminalization of politics and lack of social justice. These are just few manifestations of the crisis of governance”. (Human Development in South Asia report, 2005). Good governance has gained significant attention in the world especially in the last decade. In recent years, good governance has attracted the attention of economists, political scientists, lawyers, politicians, national institutions, and institutions of World Bank and IMF. Since some empirical and theoretical controversies have been found on the concept and importance of good governance but it can be considered as a prerequisite for economic growth and development (Kaufmann and Kraay, 2002 and 2003). Governance can also be seen as the instrument of the effectiveness of a society’s institutions. If the institutions are appropriate and effective, the outcome should be good governance (Duncan 2003).

Governance is the instrument of political, economic and administrative authorities to manage a nation's affairs. It is the diverse mechanisms, processes, relationships and institutions through which residents of country and groups communicative their benefits, exercise their rights and obligations and arbitrate their differences. In good governance countries, the working condition is generally more favourable for providing protection and guarantees for investors. Good governance is therefore a compartment of governance, wherein public capital and problems are managed effectively, efficiently and in response to vital needs of society. Effective elected forms of governance rely on public participation, accountability and transparency. There is an increasing amount of research on the factors that lead to good or bad governance in the world.

Good governance creates a good environment for investment, including investment in people, and leads to higher income, reduces poverty, and provides better social indicators. According to UNDP, governance can be worked out as economic, political and administrative authorities to manage a country's affairs at all levels. It joints the systems, processes and institutions, through which residents and groups articulate their interests, put into affect their legal rights, meet their obligations and mediate their differences. More modern studies have pointed out that face-to-face interactions, trust and partnership within voluntary associations enhance the capacity of people to work together. By helping residents to overcome combined action problems, trust and membership in voluntary associations are recognized as important factors in building the basis for responsive governance (Putnam 1993, 2000).

From 1990s, the idea of "good governance" as an instrument for sustained development and poverty alleviation has gained widespread acknowledgment, especially among international organizations. Local concerns over what would later be labelled "good governance" had long been present in all regions of the world. However, during the Cold War, much importance was not given to good governance but after it when structural adjustment programme was failed to overcome the economic problems of many countries and objectives were not achieved then the need of good governance was realized to implement these policies. This problem was faced mostly in developing countries where policies were effectively prepared but not implemented properly due to bad governance.

Good governance can be recognized with the following features:

- a. Good governance is equally supportive and cooperative relationships between government, society, and the private sector. The nature of relationships among these three characters, and the need to make stronger viable system to facilitate interactions, assume critical importance.
- b. Good governance is defined as control of all, or some combination of, the following elements: contribution, transparency of decision-making, accountability, rule of law, predictability.
- c. Good governance is normative in origin. The values that provide the foundation for governance are the values postulated by the defining characters and institutions.

Hussain (1999) elaborated the concepts of governance and institutions, their definitions and relationships. He divided public sector functions into three categories, namely, policy-making, service delivery, and oversight and accountability, and focused on the last. Moreover, he also discussed the pillars of good governance. Qureshi (1999) also emphasized on good governance based on appropriate institutional reforms and broad-based sustained economic growth policies. Shafqat (1999) focused on the role and assessment of bureaucracy with some changing socioeconomic profile and corresponding attitudinal changes and provided guidelines for possible reforms in Pakistan. He concluded that a piece-meal but holistic reform of the existing bureaucratic institutions is really needed. Shah (1999) also contributed with three complementary themes in bringing about responsive and accountable public governance namely globalization, localization and a results oriented management and evaluation.

There exists a symbiotic relationship between the foreign policy of every country and between two specific factors; the geo-strategic context (regional and global) within which a country is located and the domestic compulsions of a country which include governance issues and economic constraints that exists. Depending on the economic strength, the military power and the leadership of a country, a country's foreign policy to a varying degree impacts upon these two elements and vice versa the foreign policy is influenced by these two elements. A dynamic connectivity is in fact constantly at work between foreign policy, governance and the geo-strategic environment. Autonomy, admittedly of varying degrees, is therefore available to all states to make their choices on the foreign policy. Their choices therefore define regional and global geo-strategic environments. Today however the supra-state actors like the United Nations, the IMF, World Bank, UNCTAD as well as sub-state actors including multi-nationals, NGOs, various shades of liberation movements, transnational militant movements and the media also define the geo-strategic environment.

Pakistan's foreign policy has been no exception. Ever since 1947 Pakistan's successive foreign policies have been defined by both Pakistan's geo-strategic environment and by issues of governance, specifically economic issues. Conversely, though to a lesser degree, Pakistan's foreign policy too has had an impact on governance-related issues. Whatever the content, orientation and conduct of Pakistan's foreign policy it has been a policy that has been determined by successive governments who made autonomous and calculated choices . On the key issues of Pakistan's relations with India, its relation with the United States, the Gulf States and with China, the nuclear issue the state has consciously worked with politicians and opinion makers to create a public consensus on these issues. A balancing act has been performed by the governments to appear sympathetic to peoples' concerns while not undermining national interests. Policy towards Xinjiang, during the Iran-Iraq war, Russia's Chechen war etc. On other issues like the recognition of Israel, no government will change the position of not recognizing Israel until Saudi Arabia recognizes Israel. This position even if ostensibly ideological has been premised on the calculation of concrete security, economic and diplomatic advantages to Pakistan.

Based on the literature reviewed, it has perceived the following model of good governance (GG) in view of the world as depicted in Equation:

$$GG \approx PSL \leftrightarrow ES \leftrightarrow BS \text{ (Equation)}$$

Where GG = good governance;

PSL = political system and leadership;

ES = economic system;

BS = bureaucratic system.

Equation clarifies that good governance is approximately equal to its three main components that are political system and leadership, economic system and bureaucratic system.

The Government established the National Commission for Government Reforms (NCGR) in April 2006 and mandated it to prepare proposals for governance reforms in Pakistan. The Commission decided that the following broad principles will underpin reforms in each area of responsibility:

Civil Services

- i) open, transparent merit – based recruitment to all levels and grades of public services with Regional Representation as laid down in the constitution.
- ii) Performance – based promotions and career progression for all public sector employees with compulsory training at post induction, mid-career and senior management levels.
- iii) Equality of opportunities for career advancement to all employees without preferences or reservations for any particular class.
- iv) Replacement of the concept of Superior Services by equality among all cadres and non-cadres of public servants.
- v) Grant of a Living wage and compensation package including decent retirement benefits to all civil servants.
- vi) Strict observance of security of tenure of office for a specified period of time.
- vii) Separate cadre of regular Civil Services at the Federal, Provincial and District levels co-existing with contractual appointments.

- viii) Creation of an All Pakistan National Executive Service (NES) for senior management positions drawn through a competitive process from the Federal, Provincial and District level Civil Servants and outside professionals.
- ix) Introduction of three specialized cadres under the NES for Economic Management, Social Sector Management and General Management.

Structure of Federal, Provincial and District Governments.

- a) Devolution of powers, responsibilities and resources from the Federal to the Provincial Governments.
- b) Establishing inter-governmental structures with adequate authority and powers to formulate and monitor policy formulation.
- c) Clear separation of policy making, regulatory and operational responsibilities of the Ministries/ Provincial departments.
- d) Making each Ministry/ Provincial department fully empowered, adequately resourced to take decisions and accountable for results.
- e) Streamline, rationalize and transform the attached departments/ autonomous bodies/ subordinate offices/ field offices etc. into fully functional arms of the Ministries for performing operational and executive functions.
- f) Reduce the number of layers in the hierarchy of each Ministry/ Provincial department.
- g) Cabinet Secretary to perform the main coordinating role among the Federal Secretaries on the lines of the Chief Secretary in the Provinces.
- h) Revival and strengthening of the Secretaries Committee at the Federal/ Provincial Governments to become the main vehicle for inter-ministerial coordination and dispute resolution among various ministries.
- i) District level officers interacting with the general public in day-to-day affairs should enjoy adequate powers, authority, status and privileges to be able to resolve the problems and redress the grievances of the citizens.
- j) Police, Revenue, Education, Water Supply, and Health are the departments which are highly relevant for the day-to-day lives of the Ordinary Citizen of this country. The internal governance structures of these departments, public grievance redressal systems against these departments and checks and balances on the discretionary powers of the officials have to be introduced.

Business process re-engineering

- i) All laws, rules, regulations, circulars, guidelines issued by any Government ministry/ department/ agency should be available in its most up dated version to the general public free of cost in a user-friendly manner on web page and in electronic and print forms at public places.
- ii) Service standards with timelines for each type of service rendered at the District, Thana and Union level should be developed, widely disseminated and posted at public places in each department.
- iii) Rules of business at the Federal, Provincial and District Governments should be revised to make them simple, comprehensible empowering the Secretaries/ Heads of Departments/ District Coordination Officers to take decisions without multiple

references, clearances and back and forth movement of files. Post-audit of the decisions taken should be used to ensure accountability rather than prior clearances.

- iv) Delegation of financial, administrative, procurement, human resource management powers should be revisited and adequate powers commensurate with the authority should be delegated at each tier of the hierarchy.
- v) Estacode, Financial Rules, Accounting and Audit Rules, Fundamental Rules and all other rules in force should be reviewed systematically and revised to bring them in line with modern management practices.
- vi) E-Government should be gradually introduced in a phased manner. Technological solutions, hardware and software applications are easy part of the process but the most difficult aspect is the training and a change in the culture, attitude and practices. E-Government should be driven by business needs rather than crafted as an elegant technical solution

Good Practices by Democratic Governments of Pakistan (Pakistan's major achievements in last 25 years):

- Electricity was supplied to 4 thousand Villages in twenty months in Pakistan including Sindh. (1988-90)
- Electricity supplied to more than 12 lac houses including Sindh 50000 loans for poor people to make small business 1988-90
- women's banks 1988-90)
- Admission and bed fees forced upon during Zia's regime were abolished benefiting all poor Pakistanis. 1988-90)
- Fifty thousand new teachers were employed in Pakistan. 1988-90)
Education made compulsory up to 8th class. 1988-90)
- 80 thousands new literacy centers were set up throughout the country. 1988-90)
- Ten thousands young people were given loans of 50 thousands each to start their own businesses. (1993-96)
- Very first time a separate ministry for women affairs was established to solve their problems. (1993-96)
- Women Bank was established. (1993-96)
- Women were given loan facility to start their own businesses. (1993-96)
- Computer centers for women were started in Karachi, Lahore and Islamabad (1993-96)
- Built 21,000 primary schools in Pakistan (1993-96)
- Electricity to 18,000 villages in Pakistan including Sindh (1993-96)
- Five percent quota in for women in Employment was fixed in all Government departments. (1993-96)
- 6. Crisis Centre for Women in distress. – The Government set-up "Crisis Centres for women in Distress" in Islamabad and at Vehari These were pilot projects which aimed at providing medical and legal aid to the women victims of violence. (1993-96)
- Establishment of Hostel for Working Women at Gujranwala, Lahore, Hyderabad, Sukkur, and Quetta. . (1993-96)
- Rearing and Development of Silk Worm Reeling and Weaving of Silk Thread for Rural Women in Sindh. (1993-96)
- Benazir income support program (current government)

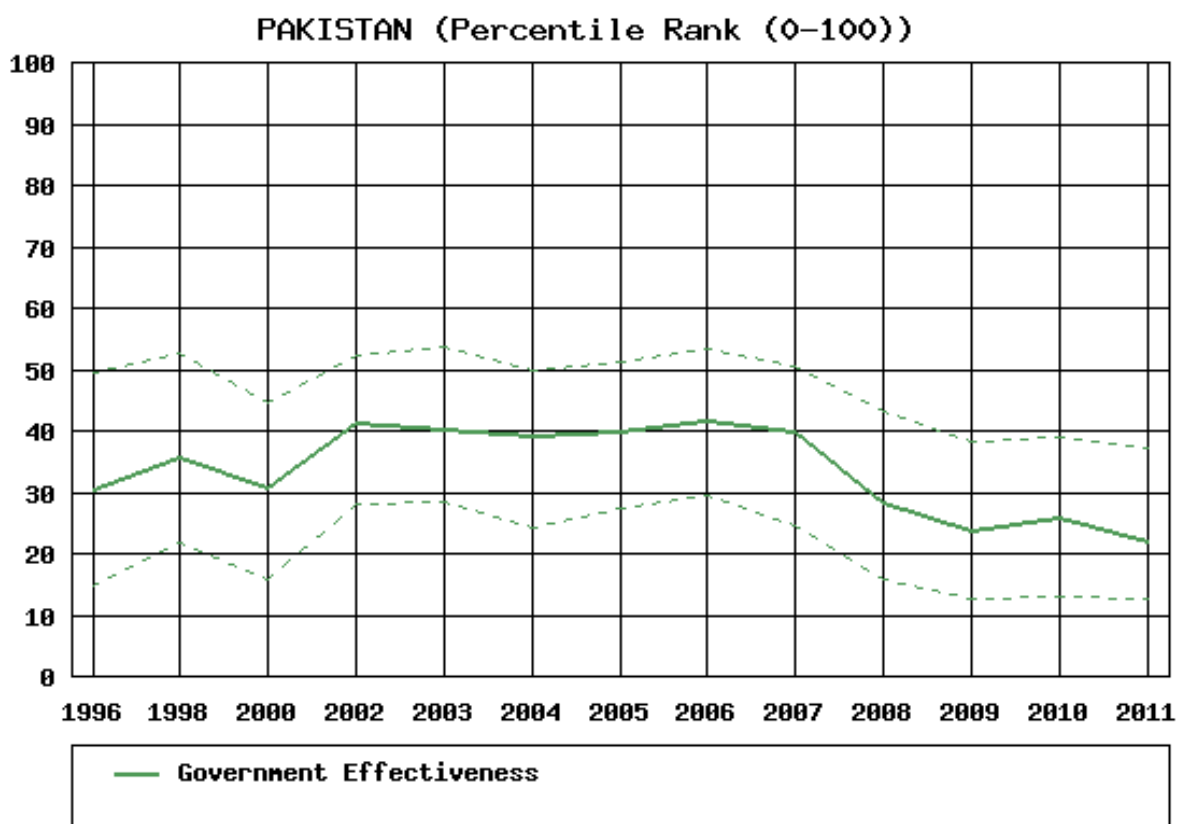
- First time poverty survey for the welfare of downtrodden people in the history of Pakistan (Current Government)
- Reinstatement of politically victimized employees(Current Government)
- Free and independent Judiciary (Current Government)
- Chairman Accountability committee from opposition (Current Government)
- President surrendered his power first time in the constitutional history of Pakistan (Current Government)
- Operation in Swat and Waziristan against terrorists (Current Government)
- Powerful and independent parliament (Current Government)
- Empowering the workers through Employees Stock Schemes and Worker unions
- Encouraging youth through lifting ban on student unions

These were incredible achievements of democratic governments of Pakistan. Now some major achievements of recent government, which are made for economic growth of the economy, are as follows (Pakistan Economic Survey 2008-2011/12):

Inspite of huge challenges during the last four years including global economic contraction especially in the advanced economies, financial turmoil, great floods of 2010, extraordinary rains in 2011, persistently rising energy prices, continuing security situation, the Government succeeded in:

1. Maintaining macroeconomic stability by pursuing tight monetary policy and fiscal discipline.
2. Revival of Growth: Economy is recovering from the floods and exogenous shocks and real GDP growth is estimated at around 3.7 percent on the back of pick up in agriculture and large scale manufacturing growth as compared to 3 percent last year.
3. Inflation: Average inflation seems remain close to the targeted 11 percent, declining from the peak of 25 percent
4. Strong flow of remittances: The rising trend in remittances continued for the fourth consecutive year in FY12 as remittances are estimated close to US\$ 13 billion as compared to \$ 6.2 billion in FY08.
5. Build up of Foreign Exchange Reserves: The improvement in the overall external balance despite the contraction in financial account surplus helped build up foreign exchange reserves during FY11. Thus, by the end of June 2011, Pakistan's overall foreign exchange reserves stood at a record level of US\$ 18.2 billion. Currently, these are at \$ 16.4 billion despite repayment to the IMF as well as discharging all our obligations.
6. 7th National Finance Commission Award: The Award was path-breaking as (i) it moved away from population as the sole basis for horizontal distribution of resource and gave due weightage to population, poverty/ backwardness, revenue collection, revenue generation and inverse population density; (ii) it increased share of Balochistan to 9.09 percent (iii) 70 percent share of the divisible pool is now being transferred to the Provinces and Special Areas (iv) transfer to the provinces increased from Rs. 633 billion in FY10 under 6th NFC Award to Rs. 999 billion in FY11 and Estimated Rs. 1,204 billion in FY12.

7. 18th Amendment in the Constitution abolishing the concurrent list and transfer of 17 federal ministries to the provinces.



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues

Note: The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Source: World Bank

Future Plans

- The Government is committed to create conducive political, legal and economic environment for building individual capabilities and encourage private initiatives. Development activities under the governance sector revolve around effectiveness, accountability, transparency, rule of law, knowledge management, organizational restructuring, institutional reforms, judicial reforms, law & order, professional development, and service delivery. These factors are critical for sustainable development and alleviation of poverty through implementation of growth strategy, allied policies and programmes. As growth generates income, good governance trickles down the effects of growth to the masses, particularly to the poor.

- The Framework for Economic Growth emphasizes on improving governance, strengthening institutions, fostering markets and initiating reforms in the areas of judicial system, civil service, systems and procedures, tax administration, procurement, financial management, enforcing property rights, and Public Sector Enterprises. Governance reform agenda spans over medium to long term frames.
- Strengthen regulatory framework for effective implementation of economic policies.
Improve public sector management by
 - Reforming tax administration;
 - Reforming public financial management;
 - Implementing E-Governance;
 - Public sector capacity building and civil service reforms, promoting professionalization of civil services and qualitative improvements through continuous training and skill up gradation with a view to improve transparency, accountability, efficiency, fair play and honesty and
 - Simplify procedures and automate systems to implement transparency and efficiency.

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