

A CONFUSED FEDERALISM

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Sunday, 21 Jun, 2009 | 08:36 AM PST

PAKISTAN continues to suffer from 'confused federalism' where weak provincial and local bodies are unable to match the ability of the central government to mobilise resources or provide services.

Provinces and districts where most interactions take place between citizens and the government have ended up with weak authority and inadequate financial resources but a heavy burden of responsibilities. The more remote federal government enjoys most of the authority, substantial financial resources and the main responsibilities of defence, communications and foreign affairs.

Other responsibilities have been assumed along the way on the plea that the provinces do not have the capacity to deliver. But it is a vicious circle. As the capacity of the provincial and district governments to perform is eroded due to lack of resources, the federal government assumes more responsibilities. The federal government alone has the powers to raise external and domestic debt and therefore they are able to expand their financial resources by running fiscal deficits which, in turn, create a liability for future tax revenues in the form of debt servicing.

The current National Finance Commission award system also creates perverse incentives. The higher deficit a province can show the stronger is its claim to the divisible pool. Provinces that can mobilise additional revenues are hesitant to do so as it weakens their claim. If the NFC award does not give due weight to those provinces which make a genuine tax effort then why should they make the effort?

The incentive for controlling expenditures is another example. If the NFC bases its consideration on projections of deficits how will the provinces react? They'd show as high an expenditure level as possible and justify that this level actually increased spending before the award. Whether this spending results in waste, corruption or inefficient use is of no consequence because the larger the gap the more persuasive one's case. It is good politics for the provinces to pressure the federal government for extra money, absolving themselves of observing the norms of fiscal responsibility.

If the federal government is not forthcoming it is blamed for ignoring the province's legitimate needs. Assume for a moment that the federal government transfers powers to raise revenues to the provinces. Where will they run if they indulge in reckless spending? The opposition in the province will hold the ruling party responsible for fiscal indiscipline.

Let us take another important issue, that of human resources. During the Raj, senior civil servants would be posted as district collectors because they were the ones who came in daily contact with the citizens of the district. They were given adequate powers to resolve the problems faced by the citizens. They didn't have to write long letters, memos or summaries to the secretariat because the secretaries were their juniors and didn't enjoy those powers. No wonder a few thousand British officers were able to exercise the writ of state, administer justice, adjudicate disputes and deliver essential services to the state.

Contrast this with the situation that has evolved in Pakistan. During Ayub Khan's time the powers of the federal secretaries were enhanced and decision-making concentrated in their hands. Divisional commissioners in West Pakistan still enjoyed some powers and capable or competent individuals took initiatives and exercised their powers in the best interests of the citizens. The administrative reforms of 1973 broke the back of the Civil Service and the powers enjoyed by the federal secretaries got diluted. The gradual politicisation of the service over the next 30 years rendered it virtually indifferent to the plight of the common citizen. Pandering to the whims of the political leadership has become common. The tendencies of over-centralisation, personalised decision-making, rewarding officers for loyalty to the political leadership has become paramount.

Routine decisions taken by federal secretaries are now made by the prime minister and president. Civil servants who have the right connections, the gift of gab and can impress through power-point presentations or appear obsequious are rewarded. By controlling the cadres of the All Pakistan Services, such as the DMG and police service, the federal government appoints officers to serve in key positions such as chief secretary and IG police.

As these officers look up to the federal government for their careers they reinforce

the concentration of decision-making by referring the matters to the federal government even if there's no need to do so. This feeling of exercising absolute power adds to the addiction of personalised decision-making. Ordinary decisions which should have been made in Lahore, Quetta, Karachi and Peshawar, are delayed because of the 'burden' on the top decision-makers.

Meetings are called in Islamabad at short notice without adequate preparation and decisions are haphazardly made. Provincial governments have thus become inconsequential as they have abdicated whatever powers they had and lost the capacity of attracting and retaining competent officers. Most positions are manned by junior officers. District coordination officers in Grade 19 and 20 and provincial secretaries mostly in Grade 20 are subordinate for all practical purposes to the federal secretaries. Under these circumstances how can the provinces secure human resources of calibre to deliver the goods?

It is my contention that if the provinces are given control of their natural resources they would exploit these to the optimum level. If, for example, royalties on gas, oil and minerals are granted to the Balochistan government, the rate of exploration and development would be faster as it would be in the interest of the provincial government to remove all hurdles, open up the area and maintain law and order, because the benefits would be internalised. But if they believe that they are getting only a small fraction of the goods and the bulk of the royalties are accruing to the federal government they would not be pushed.

The country would gain enormously as more and more gas, oil and coal fields, dormant at present, become operational and energy shortages are eased as the national revenue collection increases. The delegation of financial powers to the lower tiers of government, where most services essential to the welfare of the people are offered, would remove the present vertical imbalances and inefficiencies.

To sum up, the economic health and vitality of Pakistan and the delivery of services to the citizens are likely to improve if the provinces and districts are given a larger share of the financial and human resources, over-centralisation and personalised decision-making are substituted by institutionalised and delegated processes and a balance is struck between the powers and authority of the federal government, provinces and districts.

The writer was formerly governor of the State Bank of Pakistan