

THE NEWS Recalibrating governance: Part - I

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An economy is driven by the contributions and interactions of state, society and markets. Before we take up the agenda for recalibrating governance and institutions intermediating and administering governance and delivering public goods and services, it is essential to specify the boundaries between the state and the market.

Society's contributions can be complementary or supportive of both the state and the market. There is now a broad agreement that the government in a developing country has to: (i) provide external and internal security for the people; (ii) collect taxes; (iii) manage the public finances; (iv) conduct foreign affairs; (v) maintain a stable macroeconomic environment including a sound and healthy financial system; (vi) make available the basic infrastructural facilities; (vii) develop an education and training system capable of supplying the skilled manpower; (viii) encourage as well as undertake research and development; and (ix) ensure an enabling regulatory framework for private sector and community participation in development.

At the moment, government functionaries have become too intrusive in the affairs of the private sector and are also directly carrying out businesses for which they have neither experience nor expertise. The taxation structure penalizes those who are already in the tax net and allows others to escape through collusion and connivance.

The good governance agenda for the future should aim at restructuring government and revitalizing institutions to deliver the core functions of the state to common citizens in an effective and efficient manner and to promote inclusive markets through which all citizens have equal opportunities to participate in the economy. The restructuring should lower transaction costs and provide access without frictions by curtailing the arbitrary exercise of

discretionary powers, reducing over-taxation, minimizing corruption, cronyism and collusion, and ensuring public order and security of life and property.

Pakistan inherited a well-functioning structure of judiciary, civil service and military but a relatively weak legislative oversight at the time of its independence. Over time, the domination of civil service and military in the affairs of the state disrupted the evolution of the democratic political process and further weakened the legislative organ of the state. The judicial arm, with few exceptions, plodded along sanctifying the dominant role of the military and the civil service.

The institutions inherited from the British rule were quite relevant for the requirements of the rulers of those times. Following independence, those requirements expanded in scope and content while the level of expectations from the public and their elected representatives was heightened. But these inherited institutions failed to adapt themselves to meet the new challenges of development and social changes and respond to the heightened expectations and aspirations of a free people.

The 'business as usual' mode of functioning, the approach and attitudes of the incumbents holding top and middle level positions in the bureaucracy and manning these institutions did not endear them to the political leaders or to the general public. Several commissions and committees were formed in the first 25 years after independence for reform of the administrative structure and civil services. Some changes were introduced during Ayub Khan's regime in the 1960s to improve the efficiency of the secretariats but the tendencies for centralized controls and personalized decision-making got worse in this period.

In 1973, a populist government headed by Mr Z A Bhutto took the first step to break the steel frame of the civil services by taking away the constitutional guarantee of the security of the job. He also demolished the exclusive and privileged role of the Civil Service of Pakistan (CSP) within the overall structure of the public service.

The next 25 years witnessed a significant decline in the quality of new recruits to the civil services as the implicit trade-off between job security and low compensation ceased to operate and the expanding private sector including multinational corporations offered more attractive career opportunities. The erosion of real wages in the public sector over time also led to low morale, demotivation, inefficiency and resort to corrupt practices among the civil servants at all levels.

The abuse of discretionary powers, bureaucratic obstruction and the delaying tactics adopted by government functionaries are all part of the maneuvering to extract rents for supplementing their pay. In real terms, the compensation paid to higher civil servants is only one half of the 1994 package. The low wages mean that the civil service no longer attracts the most talented young men and women.

Some of the incumbents of the civil services, in their instinct of self-preservation, fell prey to the machinations of the political regimes in power and many of them got identified with one political party or the other. They also benefited from the culture of patronage practised by the politicians. During the 1990s, the replacement of one political party by the other in the corridors of power was followed by changes in top bureaucracy.

This growing tendency of informal political affiliation for tenaciously holding on to key jobs was also responsible for the end of an impartial, neutral and competent civil service responsive to the needs of the citizen. Loyalty to ministers, chief ministers and prime minister took ascendancy over accountability to the general public.

The reasons for this poor governance can be explained with the help of the model of an elitist economy that was articulated in 'Pakistan: The Economy of an Elitist State' which sets out the politics of patronage as the main driver of the capture of the state and rigging of markets in Pakistan. It is postulated that a narrow elite constituting about 1-2 per cent of the population has used state and markets for their political power and self-enrichment to the neglect of the majority of the population, particularly the poor and the less privileged

segments of society. This small minority was thus able to enjoy this unjust accumulation of wealth in the midst of widespread poverty and squalor.

In the absence of a neutral umpire, markets are rigged by the elites for their own advantage and thus market outcomes and resource allocation are inefficient. The state, which has to ensure equitable distribution of gains from economic growth, is also controlled by the same elite that evades taxes and appropriates the public expenditure for its own benefits. Inequities – interpersonal, regional, gender – become commonplace in such an environment. Access to the institutions that deliver public goods and services is intermediated by the elite through a patronage-based system.

To be continued

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