

Reforms: institutional impediments (Part - I)

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Pakistan excels among many other developing countries in producing first-rate diagnostic studies (what is wrong with us?) , strategies, five-year and annual plans, reports but our implementation record is one of the worst. This is one of the main reasons as to why Pakistan's economic structure has remained unaltered, growth has been characterised by booms and busts and human development indicators have stuck stagnant.

A question that therefore arises but remains unaddressed or partially answered is: why do reforms that everybody realises are warranted for the good of the country do not take place despite the recommendations made by so many commissions, committees, task forces , think tanks and research institutes?

The scope of this article is limited to the reforms of the civil services and the organisational restructuring of the executive branch of the state and is a reflection of my own experience over last decade or so. Other scholars and practitioners are likely to come up with different sets of constraining factors.

I admit that in the absence of judicial reforms that affect rule of law, enforcement of contracts, adjudication of disputes, legislative reforms that reinforce the capabilities of parliament and the assemblies to exercise oversight on the executive and improve the quality and extent of legislation and electoral reforms that allow a much better process of choosing the elected representatives the impact of the reform in one organ of the state is likely to remain marginal.

Let me also admit that the word 'reform' has so often been used or misused that it has almost become a platitude. As it is interpreted through the narrow

lens of individuals and groups, it carries different connotations for different people. As long as its consequences do not affect me, I am a big supporter of reforms but the minute my own interests or that of the group to which I belong are hurt I become a fierce, subtle or covert opponent of those reforms. This behavioural asymmetry and lack of broad acceptance of the purpose, form, substance and timing of the reforms poses a difficult impediment.

A number of observers have argued that, unless the respective roles of government, markets and civil society are clearly demarcated and defined and agreed, it is premature to come up with any proposals for the reform of the executive branch. As this is a highly controversial and emotive issue – neoliberalism and market-driven versus interventionist and government-driven – we will continue to debate this endlessly and stand on the same spot just jogging without making any forward movement. So the premise which I take is that this binary construct is a strawman –artificial and outdated, and for practical purposes, no longer valid.

It is the combination of an effective and capable government and well functioning competitive markets that has led to rapid growth with equity. Empirical evidence in support of this proposition in our own continent – starting from Japan, the Four Tigers (Korea, Taiwan, Hong Kong, Singapore) to the Asean countries (Malaysia, Indonesia, Thailand, Philippines, Vietnam) and in the last three decades China – is quite overwhelming. Markets are susceptible to rigging by powerful private-sector players for their parochial advantage in the absence of strong government institutions.

The task of the government is to dismantle monopolies, oligarchies, mafias, cartels and concentration of market power that are highly pernicious for general economic welfare – and to distribute the economic gains equitably and broadly. At the same time, the government can be hijacked by the same powerful vested interests in collusion with politicians and bureaucrats if the government is allowed unfettered discretion in production, distribution and exchange of goods and services.

Rent-seeking rather than innovation and productivity becomes the sole pursuit for getting rich at the expense of the majority of the population.

Instead of taxing these rents, the government, in order to survive, becomes dependent on 'outsiders', turning the country into a rentier state losing full control of economic sovereignty. This elitist model which has been practised in Pakistan for the last 75 years has only brought grief and not relief to its citizens and needs to be replaced by the shared growth model in which the benefits of growth are widely dispersed.

It therefore follows that the purpose of the reforms is to lay down the foundations for an effective and capable government that is able to promote welfare of the majority of the population, ensure that the markets for products and factors are competitive and the entrepreneurial energies of the private sector are unshackled to become more efficient and productive and civil society organisations are provided an enabling environment to contribute to social development. The gap between 'what is today' and 'what ought to be in the future' is to be bridged by these reforms.

Let us now turn to the main question posed in the beginning: why do we have such a dismal record of implementation of reforms? Besides the behavioural asymmetry and lack of broad consensus on the contours of these reforms, there are several other compelling reasons which are analysed in the following paragraphs:

First is design flaw: one of the instruments for achieving the stated purpose is how best to deliver basic public goods and services to the citizens in a cost-effective and efficient manner. The natural corollary from this is that the reforms should be geared at the local level as that is where the interaction between the citizen and the government functionary takes place. Whether it is security, law and order, education for the kids, healthcare for the family, drinking water and sewerage, sanitation and cleanliness of the streets and neighbourhoods, roads and pavements, public transport, streetlights, parks and amenities, mandis and market spaces, pursuit of justice and adjudication of disputes – all these functions are performed at the local level not in provincial capitals. Local governments have been disempowered and deprived of the necessary resources to carry out their functions.

The face of the government at the local level is ugly and it is unable to deliver because administrative and legal powers are concentrated and financial resources are centralised at the provincial level. The level of dissatisfaction of an ordinary citizen who has no connections or ability to pay has become heightened as his/her day-to-day routine life has become an ordeal. This leads to resentment among people regarding those in power at the federal and provincial levels. There is little realisation by successive leaders that unless they set up an empowered and well-resourced local government system with devolution of powers , decentralisation of fiscal resources, and decentralisation of authority they would continue to face the wrath of the people.

A country of 220 million people with highly diverse and differentiated factor endowments and socio-economic milieu cannot be run from the federal or provincial headquarters. The true spirit of the 18th Amendment will be realised when the devolution to the local governments is completed. Studies from across countries and across Pakistan show that the resource allocation is more efficient, responsiveness to citizens' needs is swift, and resource mobilisation efforts are successful when people see that tangible results are accruing to them and their communities.

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