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Governance and Poverty in Pakistan

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I. INTRODUCTION

Whereas poverty has been declining in Pakistan upto 1987-88, it has increased rather sharply over the last 15 years. It has increased from 17.6 percent in 1987-88 to 32.6 percent in 1998-99. A large number of factors including the slow growth rates, Structural Adjustment and Stabilisation Programmes, low human resource development, and poor law and order situation have also contributed to an increase in poverty, but it is generally believed that the governance crisis that has assumed alarming proportions is the main cause of the increase in poverty. It is argued that the same economic policies and institutions that have led to higher growth and reduction in poverty in the other countries have failed in Pakistan because of the poor governance. This is notwithstanding the fact that the poor governance did not stand in the way of most of the countries which recorded high growth rates.¹

The increase in poverty has been compounded by traumatic experience of a large number of people who had climbed out of poverty and have been again pushed back into it. This has created psyche of Rejection and Alienation. As the poverty deepened despondency and malaise increased. This enabled those who wanted to manipulate the system to move in and take over the control mechanism and hijack the benefits of the low level of economic growth. This in turn led to a break down of institutions poor governance and social polarisation. It is generally believed that the institutional decays in Pakistan have led to poor governance manifested in corruption, inefficiency, ineffectiveness, inaccessibility, intractability and lack of motivation and incentives.

What is good governance is difficult to define because of the complexity of the concept and because it is influenced by the perceptions of general masses and the investors.² Main elements, though of the governance are accountability, transparency, predictability and participation of the masses.

¹East Asian miracle, acclaimed as a success story, took place despite the fact that these countries had authoritarian regimes, poor human rights records, very high levels of corruption, bloated bureaucracies and centralised administrative and decision-making structures.

²The perceptions are also influenced by the International Financial Institutions and the Development Banks.

In this study definition of good governance, interrelationship between governance and poverty, the management structure in Pakistan and the likely impact of the devolution on the social and economic management are examined. It also presents an alternative interpretation of socio-economic phenomena that has unfolded with massive increase in poverty during the last decade. Poor governance is also put in the perspective of deterioration of Civil Service Structure and Judicial and Security Systems. The two competing hypothesis that poor governance results in higher levels of poverty and that poverty leads to poor governance need to be examined carefully. Rise in poverty precedes and causes the systems and policies to fail.³

The Plan of the study is as follows. After this introductory section, governance is defined and its main elements are examined in Section II. The increase in poverty and interrelationship between the governance and poverty is explored in Section III. The economic management in Pakistan is examined in Section IV. The devolution plan is critically reviewed in Section V. The reforms that need to be instituted in various areas are presented in Section VI. Major conclusions of the study are summarised in Section VII.

II. ELEMENTS OF GOOD GOVERNANCE

In the mid-90s, the government realised the rapid deterioration of the governance structure and the Good Governance Group (G-3) was set up to develop and implement the good governance reform agenda. In April 1999, the government issued a ‘Strategy for Improving Governance’, which had 12 elements including:

- (a) Financial Governance;
- (b) Civil Service Reforms;
 - (i) Incentives to Enhance Excellence and Innovation;
 - (ii) Quality, Productivity and Performance Measurement;
 - (iii) The Citizens’ Charter Scheme in the Public Services;
 - (iv) Use of Information Technology;
 - (v) Human Resource Development; and
 - (vi) Rightsizing and Restructuring of the Civil Service.

³It is surprising that framework of policies has not been questioned nor an analysis made as to whether the policies were taking note of economic and social break down created by them.

- (c) Accountability and Integrity in the Public Sector;
- (d) Decentralisation and Devolution;
- (e) Reform of Legal and Judicial System;
- (f) Police Reforms;
- (g) Governance and Management of Big Cities;
- (h) Human Rights;
- (i) Role of NGOs;
- (j) Gender Issues;
- (k) Environment; and
- (l) Public-Private Citizens' Partnership.

While the 12 point agenda encompasses most of the governance issues faced in Pakistan, the governance needs to be properly defined. For example, governance may be defined the way socio-economic power is exercised in managing affairs within a community. However, definition problem is compounded if only the consequences of poor governance are taken into account or indicators are developed with particular emphasis to justify conceptual point of view. For example, one may relate governance to provision of justice and the promotion of human rights; some may advocate political participation; while some others in the name of concern for the weak and the vulnerable may overemphasise some social indicators. The World Bank defines Governance as management of State power with emphasis on the economic aspect of the management. Asian Bank and other International Financial Institutions emphasise certain elements which relate to development, growth and poverty. African Development Bank suggests that authoritarian Regimes committed to development might exhibit good Governance at middle and lower levels. The danger in such agenda driven definition is that it might ignore the interests, concerns and the psyche of the poor. Probably, it is useful to elaborate definition of governance by the comparing essential elements of good governance. The comparison of definitions employed by World Bank, Int-Am DB, UNDP, and ADB is given in Table 1.

Table 1

Comparison of Essential Elements of “Good Governance”

World Bank	Int-Am DB	UNDP	ADB
Transparency: Open policy-making by legislature	Comprehensiveness Inclusion of political and judicial institutions	Effectiveness: Cost effectiveness of government actions	Accountability
Accountability: Of the executive for its actions	Transparency: Dialogue about the oversight of public policy	Responsiveness: Sensitive attitude to all stakeholders	Transparency
Predictability of Policy: Professional ethos in bureaucracy	Competition: Free market	Consensus: Mediation of particular interests to reach broad consensus	Predictability
Rule of Law: For the behaviour of all different institutions	Social Equity: Social Reform and income distribution Efficiency: Cost effectiveness of government actions	Long-term Vision: Development of a long-term vision on human development	Participation

Source: Bhatti (2002).

While one may argue the relative importance of various elements of good governance enumerated in Table 1, the ultimate test of good governance is the broad satisfaction and ownership by the people. The four main elements of good governance are: accountability, participation, predictability, and transparency.⁴ These are discussed in the following.

(a) Accountability: It is a wide ranging term meaning that the public officials are accountable and varies across countries depending on political structures, historical cultures and value systems. It is the perception of the society about the accountability of public officials that really matters.

⁴Political theorists define the social contract and the statehood and acceptance and ownership of state authority as a consequence of good governance [see Richard (1987) and Marion (1940)].

(b) Participation: Participation implies that the citizens of the State are at the head of any activity undertaken by the State. It depends on the ownership by the people of policies and programmes at all levels. The litmus test of participation is whether the citizens identify fully with ownership concept.

(c) Predictability: Predictability is the consequence of the existence of laws, regulations and policies and their fair and consistent application. The system would have check and balance arrangements and their effectiveness determines its predictability. It implies social acceptance of the legal and regulatory framework.

(d) Transparency: It complements the three preceding elements of good governance. It implies a clear understanding about government rules, regulations and decision at all levels. It is the perception of the people about fairness of the government decisions that matters.

The ultimate test of good governance, however, is the popular perception of the quality of management or governance. What is the popular perception about governance in Pakistan has been discussed in a number of studies. For example see Khan (2001). Main elements are summarised below.

- State power is used only for the benefit of the elite and does not protect citizens from the excesses of the powerful. The system of justice, it is presumed, has been used to the advantage of the rich and the powerful and criminal acts of the elite classes are an accepted phenomena.
- The misuse of power has been institutionalised by the rise of mafias who gain access to the political system. These mafias use the executive discretion of the political authority in appointments; formulation of public policies; disposal of public assets; and the purchases of goods and services.
- Corruption and cheating have become institutionalised and more dangerously are well developed habits. It is generally believed that all institutions of public service have been corrupted and therefore has weakened public confidence in political structure, executive authority and judicial system.
- Regulatory systems are believed to be not for the public welfare but for economic exploitations and suppression of the vulnerable sections of the society. Even the security of life and property is generally believed to be non existent.

This has led to a general rejection of the judicial, legal and political structure. The psychological impact on the society is too catastrophic.

The poor perception of governance has the undercurrents which must not be overlooked. These are:

- (a) Alienation of general mass of population from the managers and the institutions has led to rejection of the system with serious implications for the future. Participation, ownership, transparency and predictability can neither be restored nor ensured as long as alienation prevails;
- (b) Alienation has bred large-scale cynicism and any reforms agenda of economic and social policies or institutional reform is decried. Even the most well intended and well thought out policy is ignored or received with skepticism and accountability efforts have only strengthened public perception of the elitist nature of Governance. Even the exposure of the most powerful and the richest is received without any shock or dismay; and
- (c) Alienation and cynicism in turn create general Apathy. Falling rates of participation in the political process is one of the indicators. Corruption does not carry stigma of public shame and any political process is seen as a game of the rich and the powerful.

It needs to be underscored that social state of the society, cultural values and the mindset of the people ultimately determine the acceptance or otherwise of all the reforms. If the people are getting poorer they get even more alienated from the institutions and their managers. Similarly if the bulk of the population is illiterate, their understanding and confidence in the transparency, predictability and accountability will never be restored.

Governance may be viewed both from the managers' perspective and public perceptions. Most of the discussion and theory relating to the former tends to relate the managerial behaviour and incentives to act in the public interest. It is generally argued that incentives which include standards and norms of conduct, clear rules, monitoring and supervision systems of rewards and penalties training etc., influence behaviour of the managers. If the system rewards inefficiency, dishonesty or exploitation, then the

governance will deteriorate and the public interest will not be served. Such a system is tolerated either because of its ‘value structure’ or because of the inability to act or demand good governance.

III. INTERRELATIONSHIP BETWEEN POVERTY AND GOVERNANCE

Contrary to the general belief that governance leads to poverty, it is hypothesised in this paper that poverty and inequality are the primary obstacles to the achievement of good governance. We may further argue that good governance is not sufficient for poverty reduction nor is it necessary. If the policies and growth are not pro-poor, poverty would rise even in the presence of good governance. On the other hand, a number of countries with poor governance record have been able to achieve higher growth and poverty reduction and the South East Asian economies testify to that.

It needs to be noted that the participation of the poor in the decision-making process is difficult to start with and an increase in poverty diminishes their desire and ability to participate even further. The poor lose interest in the political process resulting in the elimination of ownership and participation. The rich and the powerful exploit this by increasing their influence on the management structures. The managers determine the common public good accordingly and the poor have no option but to accept perverse incentives. Consequently, the incentives for good governance are resisted by those who benefit from the increasing poverty. On the other hand, equity and justice, rule of law, equality and fairness—the main elements of good governance—do not remain primary concerns of the poor.⁵ As the poverty increases concern for economic sustenance overwhelms other considerations. Similarly the weakening of the management system and its control by the vested interest creates lawlessness. The concern for economic sustenance is then compounded by fear of personal safety and oppression. This state of mind creates a vicious cycle and leads to further deterioration in governance.

⁵Rise in poverty in Africa contributed to the collapse of many traditionally well established societies. Conversely, the reduction in poverty in East Asian Regions did not improve the quality of Governance. It is only when the economic crisis arose that the deteriorated standards of Governance came to be noticed.

Quality of Governance is closely linked with social structure and value systems in an elitist, feudal and tribal society. The rising poverty enables the value system to decline sharply and allows the elite to exploit and manipulate more easily. In other words growth can reduce poverty or for that matter eliminate it, yet Governance will improve only at a slow pace if the negative impact of social structure and value system prevails. It is also possible that high growth rates and elimination of poverty, over a period of time make it important for the people to seek participation, accountability, transparency and equality. But as long as poverty persists, improvement in governance may not take place.

Governance is not the panacea for all evils. It is not the cause of poverty in Pakistan nor can good Governance alone eliminate it. Governance issues have been created by social structure which by itself promoted poverty. When social system is in conflict with requirements of good Governance poverty will remain and may become entrenched.

The linkage between Governance and poverty may be summarised as that without high growth rates poverty will not be eradicated but good governance will ensure that benefits of growth are more equitably distributed. Accordingly, the government must pursue pro-poor policies and for their effective implementation it may take following measures.

- (a) To remove alienation and apathy and to ensure participation, poverty eradication programmes be initiated at the ground level so that a general mass of population can see basic facilities improved and provided at the local level;
- (b) The reforms of police and introduction of jury system and other judicial reforms will prevent police excesses and ensure transparency and participation. The restoration of the primacy of law and order and land revenue administration will restore the credibility of the total structure. These issues are examined in detail in Section IV.
- (c) The reforms of the tax structure and reduced cost of living for the very poor through proposed measures will help to overcome the problems created by the Structural Adjustment Programme; and
- (d) Broad administrative reforms will remove the popular apprehensions about the institutionalised politicisation and apprehensions about political manipulation

of the Devolution. These reforms will have to be forcefully implemented and seen to be meant for creation of a neutral, non-political and poor oriented non-elitist arrangement. (These issues are discussed in detail in Section VII).

IV. ECONOMIC MANAGEMENT IN PAKISTAN

Economic Management may be considered in the context of policy framework as well as operational failures. Over the last 20 years, the economic policies have revolved around Structural Adjustment and Stabilisation Programmes of IMF and World Bank. The first major structural adjustment programme in Pakistan relates to the period 1980-85. During the period input subsidies in the agriculture sector were withdrawn, an attempt was made to create a balance between world and domestic prices of inputs and outputs and an increase in water rates. Price adjustments and management reforms of the public sector enterprises were carried out with a view to converting the loss making units into profitable units. In the area of development planning, rationalising of public investment was emphasised. Major reforms were carried out in trade policy. The negative list system was introduced and Rupee was de-linked. Some efforts were also made towards tariff rationalisation.

Since then, Pakistan has implemented various Structural and Adjustment Programmes, 1987-91, 1993-96, 1997-99 and now Poverty Reduction Grant Facility (PRGF). Following elements form the basic framework of the structural reforms:

- (a) Reduction of budget deficit has been the centre piece. The planned budget deficit was never achieved and when there were some successes it was at the cost of reducing the developments expenditure. Public policies were captive to reducing the deficit at any cost;
- (b) Tax policies were devised to correct the imbalances in the tax system of Pakistan. While the main source of Revenue i.e. custom was abandoned in the name of tariff reforms, direct taxes were never able to make up for the loss;
- (c) Pricing policies were pursued to increase the revenues creating distortions. Power tariff in Pakistan is now believed to be the highest in Asia. The impact of prices adjustments on production and employment was hardly ever assessed;

- (d) Expenditure policies were mainly depending on continuous reduction in public sector development outlay and arbitrary reduction in the current expenditure. While growth was affected by fall in public sector investment, the current expenditure reduction and expenditure freezes resulted in poor quality of public services, a large deferred maintenance liability deterioration in the infrastructure and a reduction in the real wages of the public sector employees;
- (e) Continuous depreciation of currencies and periodical deliberate devaluation added to the cost of living budgetary deficits and a declining trend in the private sector investments.
- (f) Financial sector liberalisation and auction of public debt were introduced with serious consequences for public debt. The sequencing of reform was unfortunately inappropriate and the resultant slide into debt trap was never visualised.
- (g) It was continuously argued that without the planned reforms no sustainable development could take place. Nowhere in the structural adjustment programme was the issue of rising poverty of any concern. Social safety nets and micro-credit scheme provided limited relief, if any.

Management of financial system continuously weakened despite the autonomy claimed and granted to the State Bank; financial institutions one after the other collapsed. This was during the period that banking reforms and financial sector adjustment was being under taken. The same problems afflicted public sector enterprises. Privatisation as a policy measure ensured that no expansion of public sector enterprises took place. The employment generated by public sector enterprises therefore fell to almost zero. On the other hand many of the units privatised reduced work force or closed down. The quality of privatisation process was in serious doubt. It was obvious that efforts at structural adjustment caused a drastic increase in poverty but it also set in the process of deterioration of quality of Governance. Devaluation reduced public sector spending and efforts to raise additional resources through largely by adjusting utility or administered prices pushed the more vulnerable to below poverty line. The governance deteriorated during the two decades and quality of delivery worsened.

Almost all programmes called for reduction in fiscal deficit but its impact on growth has been overlooked. Table 2 presents growth and stability indicators for both the pre- and post-stabilisation period.

Table 2

Macroeconomic Indicators of Pakistan's Economy

Year	GDP Growth		Saving as % GDP	Inflation Rate %	Fiscal	
	Rate at Factor Cost	Investment as % GDP			Deficit as % GDP	Dev. Exp. as % GDP
1980-81	6.4	18.8	15.1	—	5.3	8.4
1981-82	7.6	19.3	14.3	11.1	5.3	7.6
1982-83	6.8	18.8	17.0	4.6	7.0	7.5
1983-84	4.0	18.3	15.1	7.3	5.9	6.7
1984-85	8.7	18.3	12.9	5.7	7.8	7.0
1985-86	6.4	18.8	14.9	4.4	8.1	7.7
1986-87	8.8	19.1	17.0	3.6	8.2	6.3
1987-88	6.4	18.0	13.6	6.3	8.5	6.9
1988-89	4.8	18.9	14.1	10.4	7.4	6.3
1989-90	4.6	18.9	14.2	6.0	6.6	6.6
1990-91	5.6	19.0	14.2	12.7	8.8	6.4
1991-92	7.7	20.1	17.0	10.6	7.5	7.6
1992-93	2.3	20.7	13.6	9.8	8.1	5.7
1993-94	4.5	19.7	15.7	11.3	5.9	4.6
1994-95	5.2	18.4	14.3	13.0	5.6	4.4
1995-96	6.8	18.8	11.6	10.8	6.5	4.4
1996-97	1.9	17.7	11.6	11.8	6.4	3.5
1997-98	2.0	17.3	14.3	7.8	7.7	3.9
1998-99	4.2	15.6	11.4	5.7	6.1	3.4
1999-00	3.9	15.6	13.8	3.6	6.4	2.8
2000-01	2.6	14.7	12.7	4.4	5.3	2.8
2001-02	4.0	15.2	15.2	5.0	4.9	3.4

Source: Government of Pakistan, *Economic Survey* (various issues).

While the country was managing the financial gap, social indicators were indicating marginal improvement despite large investment outlay. Social Action Programme devised by the donors had very little success. Third party validation and monitoring the compliance with guide lines, recruitment absenteeism and site selection indicated massive shortcomings. Surveys indicated that large number of ghost schools and non functional health facilities existed in the country. The quality of health and education facilities continued to decline. The SAP review carried out in 2000 [see William (2001)] came to the conclusion that inadequate resources, lack of trained staff, absenteeism inadequate and unreliable supplies need to be corrected to maintain service quality. Faulty construction and weak monitoring contributed to the collapse of social delivery system.

The share of the private sector in education and health services increased reflecting popular dissatisfaction with the social delivery system. However, the private sector education is not affordable by the poorer sections of the society. Resultantly, enrolment and retention both suffered.

V. TRENDS IN POVERTY

The majority of Muslims in the sub-continent were relatively poor and one of the main factors that Muslims wanted an independent country was to improve their well-being. The founder of nation, Quaid-i-Azam Muhammad Ali Jinnah on many occasions called for elimination of poverty and following excerpts from his speeches make it quite clear:

- Emphatic statement concerning amelioration of the poor were made from the beginning of Islam (indeed, this coupled with the unity of God was the motive force for the genesis of the Islamic movement). The basic elan of the Qur'an the stress of socio-economic justice and essential human egalitarianism is quite clear from its very early passages. Now all that follows by way of Qur'anic legislation in the field of private and public life, even the "five pillars" of Islamic that are held to be religion par excellence, has social justice and the building of an egalitarian community as its end.
- It is not our purpose to make the rich richer and to accelerate the process of accumulation in the hands of few individuals. We should aim at levelling up the

general standard of living amongst the masses. Our ideal should not be capitalistic but Islamic and the interests and welfare of the people as a whole should be kept constantly in mind.

- Pakistan should not blindly follow Western economic theory and practice and should develop its own economic system based on true Islamic concept of equality of manhood and social justice.

These statements of Quaid-i-Azam Muhammad Ali Jinnah emphasise equality, social justice and distribution of income.

Poverty is a multi-dimensional concept and it is not just inadequacy of food intake but also of essential capability of life including long healthy life, education and participation in the lives of community. Both, social indicators and the food intakes show substantial poverty in Pakistan. In terms of the broader indices of poverty i.e. Poverty to Opportunities Index and Human Poverty Index, the percentage of the population below the poverty line is 47 percent and 44 percent respectively. These may be over-estimating the extent of poverty but they do reflect broadly the situation that has developed in the last decade.

Poverty estimates for the period prior to 1963-64 are not available, though the poverty at the time of independence may be rather high. Even in 1963-64, about two-fifth of the population lived below poverty line. Despite substantial growth of GDP during the 60s when per capita incomes grew by more than 3 percent, poverty increased further to 46.5 percent by 1969-70. However, in 1970s, due to pro-poor policies, poverty declined. Due to both the high growth and pro-poor policies, poverty incidence declined to 17.3 percent by 1987-88 though serious social gaps were quite visible. During the 90s, however, even the food poverty increased. It is now estimated that more than 30 percent of Pakistan's population is not able to achieve the minimum required level of calories. Situation may have worsened in the last two to three years. (See Table 3).

Comparison with other countries point to the situation that Pakistan may be doing better than India, Bangladesh and Nepal but it is hardly a matter of any satisfaction that they have very large proportion of the poor. Social indicators show an even more pathetic situation. (See Table 4). Whatever the definition employed, poverty situation has assumed an alarming proportion.

Table 3

Poverty under Calorie-based Approach: Head Count Ratio

Years	Total	Rural	Urban
1963-64	40.2	38.9	44.5
1966-67	44.5	45.6	41.0
1969-70	46.5	49.1	38.8
1979	30.7	32.5	25.9
1984-85	24.6	25.9	21.2
1987-88	17.3	18.3	15.0
1990-91	22.1	23.6	18.6
1992-93	22.4	23.4	15.6
1996-97	31.0	32.0	27.0
1998-99	32.6	34.8	25.9

Source: (i) Amjad, Rashid and A. R. Kemal (1997) *Macro-economic Policies and their Impact on Poverty Alleviation in Pakistan. The Pakistan Development Review*, Vol. 36:1.

(ii) Kemal, A. R., Muhammad Irfan and G. M. Airf (2001) *MIMAP Synthesis Report: Major Conclusions and Policy Implications. MIMAP Technical Paper Series No.3, Pakistan Institute of Development Economics, Islamabad.*

(iii) Social Policy and Development Centre (2000) *Annual Report. Karachi.*

Table 4

Social Indicators

	Pakistan	Sri Lanka	China	India	Bangladesh	Nepal
Human Development Index (HDI)	135	84	99	128	146	144
GNP per capital (US \$) 1998	470	820	780	450	370	220
Average Rate of Inflation percent 1998	7.8	8.8	-1.1	8.9	5.3	3.3
Population below the income poverty line (percent living \$ 1 a day) 1997-98) (PPP)	34.0	35.3	19.9	31.4	35.6	42.0
Total fertility rate (1995)	5.3	2.2	1.9	3.2	3.3	5.2
Life expectancy at birth (years) (1998)	63.0	73.0	69.8	62.6	59.0	58.0
Infant Mortality rate (0-11 months) (per 1,000 live births)	136	18	36	83	96	107
Under-five mortality rate (per 1000 live birth) (1998)	-	19	47	105	136	100
Maternal mortality ratio (per 100,000 live births) (1990-98)	25	60	65	410	-	540
Infant with low birth weight (percent)		25	9			-
Pregnant women with anemia (percent)	37	39	52	33	50	65
Adult Literacy (percent of 15 and above) (1998)	44.0	91.1	82.2	88	53	39.2
*Female (percent)	28.9	88.3	74.6	55.7	40.1	21.7
*Male (percent)	58.0	94.1	90.7	28.6	28.6	56.7
Public expenditure (percent of GNP/GDP) (1990-98)	-	88.3	2.5	51.1	51.1	1.8
Education	2.1	2.7	2.5	1.1	1.1	1.9
Health Population without access to (percent)	0.9	1.4	2.0	0.6	1.6	1.3
Safe Water (1990-98)	21	43	33	19	63	29
Sanitation (1990-98)	44	37	76	71	43	84

Source: Pakistan (2001).

While it is generally believed that increase in poverty is due to low rate of economic growth in the 1990s resulting in slow increase in per capita income, the sharp increase in poverty when per capita incomes did increase at a rate of 1 percent does indicate that the growth has been skewed towards the richer sections of the society. Unemployment rate has increased from 5 percent to 7.8 percent over the last decade and real wages have fallen. Consequently, the functional income distribution has worsened, leading to worsening the size of income distribution; share of the lowest 20 percent households fell sharply while those of the highest 20 percent households increased. The incidence of poverty which declined in 1987-88 increased sharply. The incidence of poverty has increased more sharply in the rural areas. Those households whose heads are illiterate or with low level of education are most likely to be poor both in urban and rural areas. Policies from time to time proclaim the desire to achieve equality and distributive justice.

The increase in poverty has taken place in a period when the International Financial Institutions were closely involved with the structural reforms and stabilisation programmes and were influencing the formulation of macro and micro policy in Pakistan. There was a consistent and continued effort to reduce the fiscal deficit, at the cost of public sector investment. While poverty situation was deteriorating, no attempt was made to arrest the trend as no public ownership existed of the policies for macro economic adjustment and structural reforms. International concern on the nature of the impact of structural reforms appeared only after the East Asian economic crisis and reduction of poverty was put on the table and hence the current interest in the poverty situation in Pakistan.

Whereas research on poverty in Pakistan has a long history, poverty issues have been investigated by the government only recently. The lack of accountability coupled with the polarisation of the Pakistan society and elitism of the Pakistani state are being put forward as the principal reasons. The worsening poverty situation has also led to a mind set of alienation, rejection, cynicism and apathy. This mind set may also have seriously impacted the governance of state institutions and ownership of policy action.

The Government has designed a policy to reduce poverty which is reflected in the Interim Poverty Reduction Paper (IPRP). The policy, supported by IFIs, has the following objectives:

- (a) Improving Governance and eliminating social exclusion and gender discrimination.
- (b) Ensuring broad based economic growth that generates income-generating opportunities for the poor.
- (c) Ensuring improved access to physical assets, education vocational skills training. Primary health care, nutrition and other social services that enhance the human capital of the poor to enable them to generate income through asset utilisation and gainful employment.
- (d) Provision of social safety net for the most vulnerable (chronic and transient) groups e.g. women, the sick, the old, and those who live in resource-poor and drought prone regions.
- (e) Increasing the participation of potential beneficiaries (the poor) and civil society in decision-making and implementation of Pro-Poor Programmes.
- (f) Improving the efficiency of the government of develop, deliver and monitor these (and related) programmes.

Obviously, the plan addresses the issue of poverty through a multi-faceted approach. While it has a long agenda, it does not focus adequately and substantially on the main issue. If we proceed from the assumption that the poor quality of Governance is the main reason for growth in poverty, the outcome is not likely to be any different from the earlier efforts. This is because to revive the interest of civil society in the governance issue, it is necessary that population below the poverty line is drastically reduced in the shortest time. Low level of economic growth will further perpetuate the current mindset and itself become the cause of further deterioration in the quality of Governance.

IPIRSP rightly focuses on the promotion of growth. While economic growth is necessary for poverty reduction, it would not trickle down unless it enhances direct and indirect employment opportunities, social services and the development of infrastructure for the poor. Unless the growth rate is consistently high or the growth is pro-poor it may not result in poverty reduction. Obviously an increase in income inequalities and persistently low growth rate (below 4 percent) will accentuate poverty and create a mindset which will weaken the Governance. The popular concern about issues relating to basic rights, judicial system, law and order and access to social services will also go down.

Eradication of poverty would require major redirection in the economic policies and just improvement in governance would not be sufficient. Following measures are essential in this regard:

- (a) An economic growth rate of minimum of 6 percent should be the target. This would require larger public sector outlay till such time that the capital accumulation takes place and private sector starts reinvesting;
- (b) Taxation policies should be restructured; taxes that increase the cost of living for the lower income groups directly or indirectly should be withdrawn or gradually reduced. Consequent Revenue loss may be covered by the introduction of regulatory duties on imported processed goods;
- (c) Price adjustment of the public sector utilities particularly by WAPDA should be discontinued and efforts should be made to bring down power tariffs to a competitive level with the neighbouring countries even at the cost of providing a subsidy. The reliance of the budget on the large income from the petroleum price should be reduced and the price structure readjusted in favour of HSD and LSD, and Gas prices should follow the same general principle;
- (d) Control of wheat prices may be done away with; minimum floor level of prices should be determined keeping in view the cost of living and international prices. Simultaneously a modified rationing system of a subsidised nature should be introduced for the poor households;
- (e) Poverty eradication programme should be allocated a minimum of 2 percent GDP for the next 3 years. This amount should be in addition to the normal development expenditure and separately administered;
- (f) The allocation for poverty eradication should be used for repair and maintenance of rural and small urban roads, water supply schemes, education and health facilities. This will have a high multiplier affect and at the same time liquidate the deferred maintenance liabilities. The execution and implementation should be linked with the Devolution plan to create a credible impact; and
- (g) Salaries component of the current expenditure can be frozen. Downsizing may be under taken and surplus man power may be adjusted for the man power

requirements of economic revival programme. Consequent savings maybe direct towards provision of commodities and services for social sectors.

VI. JUDICIAL AND PUBLIC SECURITY MANAGEMENT

Judicial System

For the citizens of any State the basic requirement is security of life and property, the rule of law and confidence in the administration of justice. The quality of laws, and their enforcement significantly affect the growth process. Proper legislation and its enforcement helps in promoting predictability, accountability and transparency for corporate or market governance. Unfortunately, state of judicial system in Pakistan is quite complex and multidimensional and has serious consequences for the vulnerable classes. Because of the poor judicial system the poor has to rely on informal justice and dispute resolution mechanism [see Pakistan (1998)]. The system has three implications for growth and poverty. Firstly, the formal justice framework is inadequate for market based economic growth. Second, it is disadvantageous to the poor who possess neither the economic nor the social capital to receive adequate justice. Third, there are informational constraints, viz., moral hazard and adverse selection, both hurt efficiency.

While corruption and inefficiency of the police and judicial system may have also contributed to the poverty, the interest of the rich and powerful to dominate the administrative structure and exploit the powerless is the prime factor in the poor judicial and administrative structure. It needs to be underscored that an increase in poverty levels makes the poor more vulnerable and their concern for sustenance becomes the paramount consideration and thus allowing the powerful classes to take advantage. It is, therefore, obvious that poverty leads to conflict, instability and insecurity, corruption and maladministration and erode legitimacy and authority which in turn reduce ability of the state to provide a suitable economic environment. Rise in poverty leads to further economic inequalities which in turn create polarisation in society weakening social cohesion, adversely effecting the gender inequalities and the more vulnerable classes of the society i.e. children and minorities.

Public confidence in the judicial system has deteriorated over time and there has been an unholy alliance of police and lower judiciary. It is perceived that the system patronises criminals and the local political set up and the incidents relating to higher judiciary and their internal squabbles have exposed the system to ridicule. While public confidence in the judicial system declined, the conflict between the political and judicial authorities weakened both the institutions. The public perception of the judicial system may be summed up as:

- (i) Judicial process in Pakistan is slow and has far too many weaknesses; civil disputes take too long to resolve and Civil Procedure Code provides ample opportunity to anyone with money and influence to prolong the process;
- (ii) Property rights are in serious jeopardy. In the rural areas collapse of land revenue administration has resulted in massive exploitation of the small land owners and landless and in the Urban area, it is impossible to protect property against criminal mafias. The process does not provide quick relief;
- (iii) The rise of criminal exploitation of the system has even led to inability of the Government to protect its own interest and property. Endless scandals associated with acquisition of government land indicate the presence of powerful interests and their ability to manipulate the system. The so-called Qabza Group are another manifestation of the failure of the judicial process;
- (iv) The situation on the criminal side is even worse; it is impossible to lodge a complaint or register on FIR and even if a criminal act is recorded, investigative skills are poor. More importantly interest other than apprehending the criminals destroys its effectiveness;
- (v) Evidence in criminal investigation is normally fabricated and false and does not stand the test of any reasonable judicial scrutiny. People have lost confidence in the police and are unwilling to cooperate, provide information and evidence;
- (vi) It is generally believed that serious crimes take place under the active cover of police patronage. Drugs and Gun trade, gambling and prostitution and even the Qabza groups are linked with police. Such a perception leads to a mass fear of associating with the police authorities. Many cases of police personnel having

themselves been involved in serious crimes have further weakened public confidence; and

- (vii) Once a case reaches a Court, the delays and corruption of the judicial system, the complexity of legal process and the ability of the rich and powerful to buy justice has eroded public respect for the judicial system. The higher judiciary by itself seems to be slow and ponderous and at times its motives are suspect.

Under these circumstances, the poor classes have no faith in the state institutions charged with protecting life and property. Therefore, the system can hardly be expected to ensure human rights.

Civil Services Reforms

The Founder of Pakistan, Quaid-i-Azam Muhammad Ali Jinnah, emphasised integrity, non-politicisation and neutrality of the civil servants. In his address to civil servants, he stated:

“You should not be influenced by any political pressure, by any political party or individual politician. If you want to raise the prestige and greatness of Pakistan, you must not fall a victim to any pressure but do your duty as servants to the people and the State, fearlessly and honestly. Service is the backbone of the State. Governments are formed, governments are defeated, Prime Ministers come and go, Ministers come and go, but you stay on, and therefore, there is a very great responsibility placed on you shoulders”.

Good governance covers all the three major organs of the State as visualised in the constitutional framework of Pakistan. Legislatures are required to make laws and protect and promote common welfare and to reflect the broad consensus of the society. Judiciary has to interpret these laws judiciously, fearlessly and in accordance with the will of the people. An efficient executive is required to enforce and implements laws effectively fairly and without fear. Administration has to be seen and perceived as a neutral authority without political bias or influence.

The responsibilities of the civil servants therefore are visualised as totally distinct and separate from the political authority. Public sector management relies on institutional structure, the personnel who man the structure and the systems which they operate. The institutional structure in Pakistan comprises of Ministries, Divisions, Attached Departments, sub-ordinate offices and Autonomous and Semi-Autonomous Bodies. The Autonomous and Semi-Autonomous bodies are corporate entities with varying degrees of financial or administrative autonomy. The government also administers or controls a number of commercial organisations particularly in the financial sector. Provincial Governments have a similar structure within their own constitutional sphere of responsibilities. This structure is manned by civil servants who are divided by rank and pay structure. They are also divided into structure of services at the management and sub-ordinate level. The personnel policy covers conditions of employment, recruitment, discipline, efficiency and pay structure.

Public sector structure operates on the basis of laid down rules and regulations, and implements the laws and policies of the Government which governs the limit of their authority and responsibilities. This standard operating system is supposed to hold the management in a legal and disciplined form. It is also required to ensure neutrality lawful action and restrain arbitrary use of power.

While the administrative responsibilities are well-defined, the performance suffers a great deal especially for the poor. The poor rely on public services of health, education, etc., but because of poor delivery, corruption and behaviour of staff either the services are not available and when they are, the quality is poor. The same is true when the poor interact with other government functionaries. Very common are the delays, inattention, neglect, arbitrary decisions and corruption.

Efforts to improve the governance in Pakistan are not something new. These were reviewed even during the British regime by a number of Royal Commissions and Committees. Since independence, as many as 26 commissions and committees have examined the issue. Most of these in the earlier years examined the pay structure of public employees. Nevertheless, up to the 1970s, the guiding principles were those laid down by the Munir Commission.⁶ “(Public servants) should get such remuneration for

⁶In the process two separate reports known as Egger Report, 1953 and Gladieux Report of 1955 also examined the institutional framework.

their work as enables them to lead honest and repeatable lives. Government should pay so much and so much only to its employees as is necessary to obtain recruits of the right stamp and to maintain them in such a degree of comfort and dignity as would shield them from temptation and keep them efficient for the term of their service”.

Since 1970s the advent of large-scale public sector and quasi-socialist ideas, the major concern has been towards reducing the differentials in the salaries of public sector employees, i.e. reduction in the ratio of employments between the lowest level and the highest level of the bureaucracy. The ratio between the lowest and the highest paid employee immediately after independence of 1:90 has been reduced to 1:46 in 1962, 1:30 in 1972 and 1:9 in 1997. At the same time, innovations were introduced to compensate the senior officers in various forms for the loss in cash emoluments. This has created distortions which are now becoming difficult to eliminate.⁷

The operating systems of the bureaucracy were rarely attended to. With literally hundreds of rules and regulations and operating systems in force, exercise of discretion and arbitrariness become common. Many of these rules and regulations are old and archaic, promote non-transparency and make it easier to manipulate.

Public perception of bureaucracy is one of corruption and inefficiency. It has come to be accepted as a norm by the poorer classes who are also illiterate. It is possible to seek or buy justice. Illiteracy keeps them ignorant of what their rights are and what their reasonable expectations can be. As poverty increases it becomes easier for the richer classes to use power either through influence or its monetised form i.e. financial corruption.

The deterioration of the incentives system of the management cadre was complicated by the imposition of large burden of responsibilities to manage expanding public sector. Consequently the quality of life for the officers' cadre, assured by the Government worsened seriously. Public sector Corporations offer different kinds of financial incentives which could make up for the loss in the pay structure. Within the

⁷The institutional framework of the Government under went a major change with the expansion of public sector in early 1970s. Nationalisation and continued transfer of private sector responsibilities to public sector imposed a large burden on the management capability and control mechanism of the Government. An authority or institution was established without adequate thought or regulatory framework. As the real wages of the public servants continued to decline particularly at the management level, temptation became difficult to control.

Government jobs which guaranteed benefits beyond the legal incomes were preferred. Custom, Income Tax and Police became the most sought after and preferred departments. Appointments in lucrative jobs required political patronage and influence. Consequently the inadequacy of the incentives system increased propensity to seek political patronage and influence. In the second stage corruption in some of these lucrative cadres became institutionalised and led to more political peddling than even before. While this process continued to manifest itself across the Management Cadre, protection by the politically powerful became inevitable. Poverty restricts the ability to restrain the combined power of the political authority and the Management Cadres. The mass of the population therefore becomes powerless and in time accepts the phenomena as a norm.

Corruption

Many of the governance issues are inter-linked with corruption in the system. The corruption and influence may take any of the three forms. Firstly, misuse of power or arbitrary and discretionary exercise of power leads to direct abuse. Operating procedures which were devised to protect the interest of the State are used to protect the interest of the rich and the powerful. Second, participatory corruption enables powerful individuals and the civil servants to benefit while the State is the loser. Tax administration is an example. Third, institutionalised corruption is the most dangerous form. Personnel manning any institution pool to share the financial gain in an organised form, Police, Customs and PWD largely reflect this form.

Corruption has been prevalent in Pakistan in one form or another. In the 1950s and 1960s, there have been evacuee property scandals, the issuance of licenses and permits, the availability of foreign funds, etc., in the 1970s the nationalised industries increased the role of bureaucracy. In the 1980s and 1990s, allotment of plots, discretionary power of employment, provision of funds to public representatives [For details, see National Accountability Bureau (2001)]

A number of anti-corruption departments have been established, and laws made, the most significant is National Accountability Bureau (NAB) under the Ordinance promulgated in 1999. The Ordinance provides for:

- Detection, investigation, prosecution and speedy disposal of cases involving corruption, corrupt practices, misuse/abuse of power, misappropriation of property, kickbacks, commission, etc.
- Recovery of outstanding amounts; and
- Recovery of state money and assets accumulated through corruption.

So far NAB has received 18,146 complaints and 653 inquiries have been completed. While they would receive Rs 1,825 million, the recoveries so far have been Rs 1259 million. Similarly, it has been able to regularise/settle Rs 7,488 million of loans and Rs 5,943 million of defaulted loans have been referred to the courts. The courts have disposed of cases upto Rs 3,004 million.

It is important that besides detection of corruption cases and accountability, an improvement in the operating systems of various agencies is carried out. These are not only out of date but also cause difficulties for citizens, delays and malpractices.

Rules and regulations which grant arbitrary and discretionary powers to various functionaries need to be modified and made transparent, in particular, financial decisions should not be subject of discretion. Both the anti-corruption agencies—Ombudsman and NAB should study the reasons and causes which enable misuse of authority and corruption.

VII. DECENTRALISATION AND DEVOLUTION

The Constitution provides for a federal system with distinct areas of responsibilities of federal, provincial and local governments. However, there have been deliberate and continuous encroachments by the Federal Government to increase and expand the power base. For example, launching of national level programmes in Education, Health, Rural Roads etc., has enabled centralisation of functions with the Federal Government which essentially belonged to the provincial governments. This has imposed additional management burden rendering the control mechanism ineffective. It is further compounded by failure to delegate the authority. Institutional impact of this trend was the lack of popular participation in the decision-making in these vital sectors of development.

Distinction between policy-making role of the Secretariat and implementation role of the attached departments and sub-ordinate offices has been lost. It serves the

interest of the élite class to withdraw power from the lower authority or to continue to intervene for various considerations.⁸

Centralisation of power is motivated by the powerful to expand their power base. Political authorities want to assume the responsibilities of senior civil servants who in turn want to take away the managerial powers of their own subordinates. This breeds inefficiency delays, misuse, lack of transparency, and weakening of the supervisory control leading to polarisation in the society. The system therefore continues to perpetuate itself by weakening the link between policy and executive authority and the end users. Policy ineffectiveness, poor implementation, corruption and weakened management systems lead to social frustration, conflict, instability and insecurity.

Given the élitist nature of Pakistani society, weakening of the institutions of the state, rising levels of poverty and consequent deterioration in the quality of Governance, there have been concerns and suggestions to bring about fundamental changes in the system. It is considered that devolution of political power, decentralisation of authority, deconcentration of management functions, diffusion of the power—authority nexus and distribution of functions and resources could lead to not only a major structural change but bring about qualitative improvement in the management.

Administrative arrangements in Pakistan consist of a Federal Government, Provincial Governments and Local Governments. It is claimed that there is a conflict at the political level between the Local Governments, Provincial Government and the Federal Government. Consequently the provincial political authorities tend to keep a tight control both on authority and resources of the Local Governments and the Federal Government and the Federal Political Authorities have the same approach towards provinces.

The Provincial Administration has a long history of its development. Centre piece of the administrative structure has been the office of the Deputy Commissioner and unfortunately the nature of this office has been totally misunderstood. The basic principle underlying the creation of Deputy Commissioner's office was to provide for a neutral administration. It was also important for an efficient administration to be perceived as

⁸Within the Secretariat the regulatory Divisions like Planning and Finance have assumed control of line operations in the name of resource constraints, expenditure control and ultimately budget deficit. The budgetary system has become rigid, centralised and irresponsible.

neutral and fair. The office of the Deputy Commissioner was frequently used to maintain a benevolent watch on the other departments. The system therefore acted as one of a check on the other department. With the induction of Local government Institutions it became even more important that a strong restraining hand may be kept. On the introduction of representative democratic system a linkage therefore was provided between the two agencies. It provided an administrative structure for a link and interplay between the field and policy-making. The cadre was used to run the field structure and then brought into policy-making at the provincial and central level. Since the economy was mostly agriculture based, the fundamental requirement was to ensure an efficient and credible Land Revenue Administration. It was even more important because of the Tribal and Feudal nature of the system. The vast Land Revenue Administration was employed for other functions like the rudimentary village management, rural policing and information exchange. It was also clear that the nature of the society required an equally neutral and credible agency to maintain law and order. The combination of a two thus created extra ordinary arrangements. The same arrangement was devised for British Colonies around the world. The experience gained in the management at the district level proved invaluable in the formulation of policies.

The linkage established between neutrality, fairness and credibility on the one hand and Land Revenue Administration, law and order and development activities on the other became even stronger in the post independence period. As development activities after independence increased, the only agency available to the Government was the District Administration. After 1958 and the introduction of the Basic Democracies system this linkage was institutionalised. The Deputy Commissioners besides being District Magistrate and collector were made the heads of the District Councils. While this arrangement ensured grass root development efforts in all fields of development activities, it also starting generating conflicts of interest and rivalries. Police, which was used as a tool of manipulation resented the role of the District Magistrate which was a strong check on their functions under the Criminal Procedure code and Police Act. The development departments particularly the technical departments also came to resent the primacy of this office resulting from the Basic Democracies structure. Unfortunately the well intended move to use the office of Deputy Commissioner as an agent of development resulted in controversy and service conflict [see Cornelius Commission Report].

What was meant to be focal point of the government policies and their implementation was weakened in the post-1970 period. The induction of the office of Deputy Commissioner into development effort created the problem and consequently weakening of this office severely damaged Land Revenue Administration and law and order. However, the political authority represented by the feudal and elite classes came to rely more and more on the Police and for hijacking the development efforts, on the technical departments. The presence of a neutral restraining hand and checks and balances provided in the system therefore had to be removed in the interest of political power.

The Devolution Plan

The Devolution Plan is an attempt to address the issues discussed above. It proposes to combine structural reforms, administrative rearrangements and political participation. It involves a massive rearrangement of constitutional and legal system. It provides three tiers of the government and the entire district bureaucracy are placed under the elected representatives. More operational autonomy is given to the district level functionaries. The district administration comprises district offices and sub-offices of the departments of the provincial Governments. The district is managed by an elected Zila Nazim and district administration assists and is responsible to the elected District Nazim. The new system eliminates the distinction between urban and rural areas.

The middle tier, the Tehsil is to be headed by the Tehsil Nazim. The local offices and sub offices of the Local Governments and Rural Development, Public Health, engineering and Housing and Physical Health Departments have been entrusted to them for administrative and financial management. At the bottom tier, the Unions cover the rural as well as urban areas in a district. Each Union has a Union Administration headed by Union Nazim.

To provide political linkage between the three tiers of the local Governments i.e. the Union Tehsil and District Union Nazims of all the Unions in the district are members of the Zila Council apart from the representative of the women members and workers the Naib Union Nazims of all the Unions in a Tehsil and Towns are members of the Tehsil and Town councils.

The Zila Nazim is the executive head of the district. The district administration is coordinated by the District Coordination Officer, a civil servant in BS-20 and successor to the erstwhile office of the Deputy Commissioner. The administration consists of twelve groups of district offices, each headed by the district officers. District officers will head sub-offices at district headquarters while executive district officers are to be managed by an elected Zila Nazim assisted by the district administration. At tehsil level Provincial Authorities/Agencies performing municipal/development functions will come under the control of the respective local Governments.

Revenue and Magistracy would have separate offices at the district level. The division as an administrative tier has been abolished. A complex police arrangement is being devised and would make police independent of the Nazims and the District Coordination Officer. The Police Reforms proposed to be implemented will therefore effectively remove law and order from the responsibilities of the DCO or the Magistracy. Similar arrangements in a modified form will exist at the sub district levels.

District administration will prepare plans and budget for submission to the Zila Nazim and after the approval, Zila Council are responsible for its implementation. The district administration will also formulate district rules and regulations and would submit for approval to the Zila Council. The district administration will apply federal and provincial laws, rules and regulations in areas covered by the administration. It will ensure legislative monitoring by the elected bodies.

New financial arrangements are being devised to support the new system. Formula-based fiscal transfers to the district through provincial Governments will supplement local specified list of taxes. Local Government will neither incur any debt nor impose any taxes on import/export, on movements of goods through a district.

The provincial Government will post the District Coordination Officer, District Police Officer and District Officer of the District. The normal tenure of posting of an officer will be three years but the Zila Nazim will have the authority of transfer the DCO prematurely but only after giving him a formal warning. In such a situation the Zila Nazim will state his reasons for the transfer in writing to the Chief Secretary who will be bound to transfer the DCO within a week. The Zila Nazim will initiate Personal Evaluation Report of the DCO and counter sign the same for other district level officials.

The system proposes to establish bottom up planning and participatory development. The formal planning system will begin at the Union Council level for both urban and rural areas. Local communities through an arrangement will identify local development priorities which will be scrutinised by the Tehsil and District level and incorporated into the budget. The capacity of the Union Councils for revenue generation and implementation will be strengthened and the incentives shall be provided for making local contribution. For the development expenditure the local funds are required to be at least 50 percent of the total funds required. In case the target is not feasible immediately, it has to be achieved within three years. This provision might act as a check on the tendency to increase the current expenditure.

An information and monitoring system will constitute the primary methods of ensuring popular control. The activities of each department will be closely monitored by the elected representative. An office of Ombudsman is also suggested for redressal of citizens' complaints; a complaint cell will separately be put into place.

No doubt, the Devolution Plan offers a bold and revolutionary change in the governance structure. It aims at devolution of powers to sub-provincial levels with the hope that popular participation in the management will increase. The transfer of power responsibilities and authority to the lower levels is a long awaited change. The complex system devised for this purpose addresses a number of concerns effectively. The association of women at all levels will undoubtedly produce a social change even if it takes a long time to mature. The system will also clearly delineate the role of various tiers of government. It is possible that if the system is perceived to be effective in operation, popular participation in the development efforts and ownership of public policies will increase. Past experience has shown that with a forceful political will devolution has the potential to improve efficiency and the quality of governance. As long as the people perceive that the system has improved their quality of life, have access to a fair and just judicial system and protects them from arbitrariness, excesses and exploitations, they will own it.

A close analysis of the proposed arrangements indicates that the essential factor of the neutrality of the District Coordination Officer has been effectively eliminated. While in principle political control is necessary, the élitist, tribal and feudal nature of society

requires that neutrality of administration should be guaranteed. Whether in the context of experience and public dissatisfaction this is the right answer is debatable.

The primacy of Land Revenue Administration and law and order has been lost sight of. A high quality Land Revenue Administration is essential for agricultural development and economic growth. It is also important in the rural areas for proper law and order maintenance. The weaknesses of the land Revenue Administration created by politicisation are bound to increase. In the same manner demolition of the office of the District magistrate as a part of the functions of the Deputy Commissioner will on the one hand destroy public confidence in the police and on the other would increase political abuse and misuse of power.

The new structure changes that role of the civil servants at the field level. It inherently provides for further politicisation and consequent demoralisation. Conflicts are bound to arise and polarisation cannot be avoided. The weaknesses of social sector management brought out clearly in the third party validation process and various surveys are likely to be compounded. The control mechanisms however weak were still a potential restraint. Probably, strengthening of the control mechanism would have gone a long way towards improvement in governance.

The system does not visualise adequate checks and balances. It does not even provide for an independent and neutral evaluation. In such a situation the provincial controls and monitoring might become the only safeguard. Given the conflict between provincial and local political interests, serious political conflict would emerge. Unfortunately, there are no administrative safeguards or management checks and balances which could avoid such a development.

Financial sustainability of the structure is doubtful. The state of local government finances indicates non-sustainability due to low levels of local revenue generation and leakages, misuse, and wastage. The fact that there is no additionality of resources likely, except for transfer of the existing resource, rising expectation without adequate financial response could damage credibility of the new arrangement. Even the new fiscal transfer arrangements may add to increasing waste and misuse. It is apprehended that the system might impose additional financial cost at all levels, legitimate or otherwise, and result in an excessive burden on the national resources.

Some of the assumptions on which the system is based are questionable. A general argument that the present system was created to serve the interests of colonial powers has become a cliché. Colonial power itself needed an efficient and credible administration to sustain and perpetuate itself. To assume that they deliberately created a system with the weaknesses mentioned in the critique of the existing system is logically untenable. Second, that the weaknesses grew out of bureaucratic authoritarianism is also debatable. Bureaucracies all over the world impact the credibility and efficiency and it depends on the bureaucratic structure and its politicisation. While a number of reports point towards growing dissatisfaction with the bureaucracy, they indicate that weaknesses increased with political assertiveness and poor personnel policies and management [For example, see Pakistan (1998)]. Third, it is assumed that this is the only way to empower the people. This is questionable, especially if we look at the experience of those countries, who inherited the same system and have successfully built on it. Evolution, improvement, revival and restoration of the existing system is always more successful than the dangers implicit in a total change. Fourth, the development has not been possible because of lack of popular participation. It is only partly true. A comparison of the Sixties and Nineties would indicate that economic policy-making was more at fault than anything else. The rising poverty cannot be corrected by devolution nor governance improved by further politicisation. Finally, that the development functions can be merged with the essential duties of the state to provide good law and order and on efficient and good Land Revenue Administration is belied by the experience gained in the Sixties. The essential duties of the State have to be provided through independent and neutral administration, development at grass root level should not have been entrusted to or mixed up with the basic objectives of district administration.

VIII. CONCLUSION AND RECOMMENDATIONS

The study comes to the conclusion that while the poor governance is an impediment to the implementation of pro-poor policies, the poverty worsens the governance structure even more. The study points out a strategy for economic revival and pro-poor policies which would hopefully create a quick and visible impact on employment, prices of essential commodities and eradication of poverty. With a view to

implementing the economic programme, a governance programme with the following objectives is absolutely necessary:

- (a) To remove alienation and apathy and to ensure participation, poverty eradication programme has been proposed to be started at the ground level so that the general mass of population can see basic facilities being improved and provided at the local level. When the children in the schools start receiving better facilities, food support and health care, it affects every household;
- (b) Reforms of police and introduction of jury system and other judicial reforms will prevent police excesses and ensure transparency and participation. The restoration of the primacy of law and order and Land Revenue Administration will restore the credibility of the total structure;
- (c) The reforms of the tax structure and reduced cost of living for the very poor through proposed measures will help to clear out the problems created by the Structural Adjustment Programme;
- (d) Broad administrative reforms will remove the popular apprehensions about the institutionalised politicisation and apprehensions about political manipulation of the devolution Plan. These reforms will have to be forcefully implemented and seen to be meant for creation of neutral, non-political and poor oriented non-élitist arrangement.

Concrete actions recommended to improve governance are:

- (a) The present federal government functions should be re-examined. Clear delineation of provincial and Local Government responsibilities should be made. The promulgation of Freedom of Information Act may be considered to make available to the general public the record relating to financial transactions of the Government at any level.
- (b) The Devolution plan may be re-examined to restore the primacy of law and order and land revenue administration. This should be made the direct the exclusion responsibility of the DCO. District Magistrate may be revived and strengthened.
- (c) DCO and District level officers should be given protection. DCO should have the right and duty as the sole representative of the State at the district level to

- monitor all the departments. In case of serious disagreement with Nazim, he should have the right to report independently to the Provincial Government in writing. If he is the Chief Staff Officer of the District Government he should have the same protection and rights as are available to the Federal Secretaries;
- (d) The financial arrangements will have to be for the time being heavily dependent on allocation for the economic revival programme. Model taxation schedule should be prepared for the Local Councils keeping in view the likely impact on employment and prices;
 - (e) Function of the Police may be bifurcated into detection and crimes investigation, Traffic duties and maintenance of law and order, crimes and detection should be the responsibility of the District Police. Traffic Police should be handled by the Local Councils and law and order by the District Magistrate;
 - (f) The Judicial system should be recast and minor disputes should be handled by a strengthened conciliation courts system at the Local Council level. Minor crimes should be given to the lower courts with a jury system. Jury system may also be introduced in a modified form for the serious crimes;
 - (g) Subordinate judicial system may be strengthened by the allocation of additional funds and an improvement in their recruitment system;
 - (h) A system of “Habeus Corpus” may be introduced for minor crimes at the conciliation courts level to prevent arbitrary police excesses;
 - (i) Time bound disposal system for various civil and criminal disputes should be introduced at all levels;
 - (j) All recruitments above Grade-11 have already been entrusted to the FPSC and an in service examination system has been introduced. On the same lines promotion to the senior positions in Government should be assigned to independent forum. Appointments and transfers may continue to remain with the Government. This arrangement should be given constitutional protection;
 - (k) All the rules and regulations should be reviewed to remove arbitrariness, to ensure transparency and to eliminate discretion. Office of the Ombudsman should be strengthened to under take this task. On the basis of their experience

which is now fairly long they would be able to revise the rules which lead to misadministration. Acceptance of the advice of the Ombudsman for change of rules should be mandatory;

- (l) Officers belonging to All Pakistan Services should not be posted to their home provinces till they reach Grade-21 and Grade-22. This would be in line with the rules applicable before independence;
- (m) Selection procedure and system for All Pakistan Services and Federal Services should be separated. In the Federal Services, Economic Services and other Services would also be separated;
- (n) The basic qualifications for appearing in the Federal Services examination should be enhanced to a minimum of Master's Degree or equivalent in second division;
- (o) Experience gained in the accountability process should be used to make system improvement to reduce institutional corruption. Reforms in the system may be combined with the efforts of the Ombudsman;
- (p) In the social sector recruitment should be based on job specific location, specific basis. The emoluments for short term contract appointments should be higher than those of long term appointments and should be balanced;
- (q) Educational Institutions should be run by their own schools or colleges Boards representing the parents of the students;
- (r) In the case of public sector corporations similar action to review their rules, recruitment systems, promotion methods and accountability process on the basis of the recommendations of Federal Ombudsman should be taken;
- (s) A School Food Support Programme and health Care system may be introduced in all schools in the country to meet the nutritional deficiencies and to provide basic preventive Health service.

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