

Is corruption the cause | By Madeeha Gohar Qureshi - Pakistan Observer

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Article

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CORRUPTION has become deep-rooted in Pakistan society is a well-established belief among masses as well as politicians.

The gravity of its situation is evident just not from the fact that 100% of respondents surveyed for the Pakistan Corruption Report (2002) agreed in being involved in bribe to complete their transaction but is consistently high ranking of Pakistan within corrupt countries. Corruption has an unintended negative consequence for the economy as a whole.

For example, according to the Institute of Chartered Accountant of Pakistan research, it has been found that roughly 70% of Pakistan's economy is informal.

As per their analysis, the prime reason for firms working informally is because of the illegal payments imposed on them in court for contract enforcement, trade permits, land services, and public contracts, etc.

Hence the corrupt practice by government officers not only has discouraged the firms operating in the informal sector to enter formal economy but in the process also constrained the tax collection and hence the performance of the government as a whole.

However, the notion of corruption that we are interested in here is the one which is directly linked to the planning and implementation of public investment.

The motivation being that the recent research on PSDP by PIDE has estimated an extremely low impact on public investment on GDP growth (Figure 2).

So the understanding that we want to get to is that what role corruption has in this and what role government incapacity has in it.

We will build our analysis on insights from Pakistan Institute of Development Economics' conference Doing Development better – Analysing PSDP.

Indeed from the presentation of Dr Amer Zafar Durrani, we learn that corruption does indeed impact the project effectiveness and as per his research about 10 to 15 % of funds on average are leaked from public funding just because of corruption alone in a project.

However, learning from Dr Nadeem-ul-Haque research on PSDP, we find that the inefficiencies within public projects are not because of monetary bribes alone rather these are embedded in the very process through which such projects are selected.

What we found was an utter shock. Not only the projects' selection with the PSDP allocation process was shown to involve no cost-benefit analysis by Dr.

Haque but the thought of using the created asset as a means of future return generation for the government was never on the table within Pakistan's planning processes.

In our opinion, both these practices are another form of corruption – not in the traditional sense of monetary bribes but a corrupt practice indeed. Why? Because, we believe corruption can be of many forms.

Some monetary such that was captured by Dr Amer Durrani in his analysis and some that are not so visible as was shown by Dr Nadeem-ul-Haque.

For example whenever a project is chosen without doing proper cost-benefit analysis just on the premise of political benefits for an elected representative or just so to capture incoming foreign aid, then all these unnecessary investments we believe should also be categorized as corruption.

However, PSDP allocations have not just gone wrong because of the above two corrupt practices alone that of monetary bribes and of not planning right.

Lack of competent leadership within public institutions is also an important problem that cannot and should not be ignored.

The human resource gap especially at higher grades within the public sector is the premise on which current institutional reform is being undertaken.

We believe the lack of vision in planning processes is very much linked to this. Which one is a bigger problem within the public sector – corruption or incompetency? Well, it is hard to judge and is the thought that we will like our audience to leave with.

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