

Corruption as a Source of Failure of Good Governance and Management in Pakistan: Proposed Remedial Measures

Abstract

Corruption and good governance are antagonistic forces which actively operate in any developed or underdeveloped country. While corruption spreads with leaps and bounds, good governance is to be built brick by brick. Relative strength of corruption and good governance determines the state of success or failure of the government to achieve development objectives within a welfare state. Corruption flourishes when the government of a country fails to strengthen the measures of good governance on a regular basis. Periodic attempts of defensive nature against corruption do not produce the desired results of social welfare. In order to introduce a strategically sound system of good governance it is necessary to examine the meaning and methods of corruption which threatens the existence of good governance.

Key words: Corruption, Good Governance, political versus bureaucratic corruption, Inequality, poverty.

This paper will be composed of two sections. First section will present a diagnostic study of corruption and the second section will deal with measures of good governance and their means of implementation.

Corruption: A Diagnostic Study

Corruption is a disease that is prevalent in all parts of the world with varying degrees. Transparency International (TI) considers corruption to be one of the most pressing issues of the modern world. Although corruption is a global phenomenon that is affecting all the countries across the globe, this problem has particularly adverse implications for poor countries (Olken & Pande, 2012). The cost of corruption can be understood in four areas: political cost in terms of affecting democracy and rule of law, economic cost by depleting of national wealth, social cost by undermining people's trust in political system and its leadership and environmental costs in the form of environmental degradation (Dančíková, 2012; Cartier, 2000)

Corruption is present at almost all administrative levels and main problems include biasness of policies of anti-corruption bodies, patronage, exemption of state

* Dr. Farida Faisal, Associate Professor, Peer Mahar Ali Shah Arid Agricultural, University, Rawalpindi.

** Dr. A.R. Jafri, (R) Professor Institute of Administrative Sciences, University of the Punjab, Lahore Pakistan. Ph. 92-42-99231164-5

institutions from prosecution and nepotism (Nyantakyi, 2002; Rose & Palifka,2016). Pakistan has historically shown poor performance in terms of corruption. As per the Corruption Perception Index (CPI) 2016 of Transparency International, Pakistan stands at 116th position out of 169 countries in terms of Control on Corruption. The Executive Opinion Survey 2016 conducted by World Economic Forum identifies corruption as the greatest problem for companies doing business in Pakistan leading to a low ranking of 122nd out of 138 countries in terms of economic competitiveness (WEF, 2017) Similarly, the Doing Business Survey of the World Bank (2016), shows the country at 144th rank among 190 economies owing to poor business conditions.

Other than the business sector, the general public also considers corruption as the core issue in the country. Global Corruption Barometer (TI, 2013) shows Pakistan to be a country which suffers due to bribery at all levels. 81% of respondents surveyed consider public officials and civil servants to be extremely corrupt. 57% reported that they have paid a bribe to obtain a service. Majority of all those surveyed consider government efforts to deal with corruption as ineffective and corruption to increase within the coming years. United Nations Handbook on Anti-corruption Measures (2004) admits the fact that corruption and crime cannot be altogether eliminated. However, corruption can and should be reduced. Different frameworks, methods and policies are used to combat corruption. These include institutional, administrative and societal reforms. Yet, most of the initiatives taken to combat corruption fail because overall governance structures are weak. Della Porta & Vannucci(1997) explain that the reason is because corruption infests the governance system with deep-rooted, structural problems. For example, decision-making power lies solely with top leadership, delayed and reactive action with respect to implementation of plans, pervasive patron-client networks, low salaries coupled with use of rules as tools for victimizing individuals going against the status quo.

Corruption and good governance are antagonistic forces which actively operate in any developed or underdeveloped country. In order to introduce a strategically sound system of good governance it is necessary to first examine the meaning and methods of corruption. This paper is specifically written to have some understanding of this complex issue within the context of Pakistan. Definitions, categories, forms and theoretical basis of corruption are discussed below.

Definition of Corruption

As corruption is a complex and multi-faceted phenomenon, the term is defined in many different ways. According to Canadian Oxford Dictionary 1998 the word corruption means: "use of corrupt practices, especially bribery or fraud" (p.317). The most straightforward and conventional definition is:"the abuse of public office for private gain" (Kaufmann & Vicente, 2011). Apart from defining corruption in terms of practices or abuse, another approach is to define it in terms of behaviors. In this regard, corruption is defined as: "behavior that deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains"(Nye, 1967). Normative component of corruption includes unethical and illegal behavior of public officials; while the consequential component includes deviation from rules

framed for safeguarding public interest (Khan,1996).

"A corrupt practice is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party" (The International Financial Institutions Task Force, 2006).

Factors that Enable Corruption

A 2017 survey study shows that the following factors enable corruption:

1. State has weak legitimacy and leaders at national level are not wholeheartedly involved in promoting public interest.
2. Rules and regulations related to functioning of public sector are either non-existent, weak or poorly implemented.
3. Public sector employments are political and in violation of merit criteria, wages are low, and there exist major ethnic divisions and [in-group favoritism](#).
4. Mechanisms for government accountability remain ineffective as whistle-blowers are targeted.
5. A cult of corrupt practices and perceived workplace unfairness
6. especially regarding violation of rules by the well-connected individuals
7. NGOs (non-government organizations), media , civil society and private sector, lacking the capacity and will to raise a voice demanding transparency and accountability of government (Dimant & Tosato, 2017).

Forms of Corruption

Corrupt behavior in Public Administration can be seen to fall in two broad categories namely: grand and petty corruption. Both are basically wrongful actions but different from each other in terms of the amount of money misappropriated, the level of the public official committing the corruption being high or low; political or bureaucratic as well as the severity of damage as an outcome of the corrupt act. Both grand and petty corruption are also be categorized as administrative or political, incidental or systemic, haphazard or organized, general or state capture. (Mills, 2012). United Nations (2004) considers various forms of corruption inclusive of bribery, fraud, manipulating electoral system to secure votes, illegitimate political fund raising, misuse of official authority and violation of public trust, embezzlement of public funds and conflict of interest.

Bribery is the recompense, may it be monetary or in kind, that is offered or received in exchange for altering the actions of the recipient to benefit and protect the interest of the giver of the payment .Giving and receiving bribes is universally considered as the core of corruption.

Embezzlement is stealing of resources by employees who are trusted to manage these resources in a pre-planned manner. Embezzlement often involves tampering of official records in order to avoid detection. While, embezzlement from a strictly legal view is not part of corruption, but it is a related concept so within a broader understanding it fits well. Particularly when such serious offences are perpetrated by public officials within their institutions then it is at the cost of public welfare.

Straddling is a process whereby the power brokers strategically use their political influence or position to establish, protect and enlarge their private businesses. For example, rent-seeking political elites manipulate foreign investment and properties as well as monopoly market rights to favor the members of the ruling families.

Fraud is a criminal activity of an economic nature involving some form of deception and trickery. Fraud includes rigging or distortion of facts and expert opinion, by public servants, politicians and general public, in an attempt to extract a large undue profit. Fraud is perpetrated when an official being responsible for implementing orders or tasks as assigned by higher authorities, creates misleading information to advance his or her private interest.

Extortion is by the use of threats, coercion or violence to force an individual into submitting anything of value towards the perpetrator so as to stop future violence. Blackmailing and extortion are considered as corrupt actions because valuables are violently extracted by a powerful mafia many times calling this demand as protection payment from other threatening parties.

Favoritism is associated with abuse of authority leading to discretionary and biased distribution of state resources towards the favored parties. Favoritism is the awarding of advantages to benefit friends, family and trusted individuals. Favoritism is a dimension of corruption insofar as it includes a corrupted, unfair and "privatized" distribution of resources. Outcomes included the appointment of "cronies" to high government posts irrespective of their merit and qualifications.

Political Versus Bureaucratic Corruption

Political corruption also called grand corruption is perpetrated when heads of government, state ministers and top emissaries being responsible for formulating, establishing and implementing the laws and policies in the name of the public, abuse their political power only to maintain their power, status and wealth. Political corruption leads to policy formulation and legislation which is specifically tailored in a way so as to provide advantages for politicians and legislators. (Moody-Stuart 1997; Amundsen, 1999). On the other hand, Bureaucratic Corruption is perpetrated at the implementation end of policies. This "*small scale*" or *street level*" corruption is experienced by ordinary people in their daily lives when encountering public officials or accessing public services like health, education, licensing authorities, police, customs, tax authorities etc. The financial resources involved are often minuscule as compared to grand corruption, therefore bureaucratic corruption is often termed as "routine" or "petty". Nevertheless, the misappropriation of funds may be substantial in particular cases and when seen collectively.

Implications of Corruption

Many empirical studies have provided powerful evidence on the economic, social, political and environmental costs of corruption (Dimant & Tosato, 2017; Dančíková, 2012; Cartier, 2000; Mauro, 1998; Klitgaard, 1988). It is proven that corruption debilitates domestic and foreign investment, lowers GDP growth rates, hampers trade, causes distortions in the composition and magnitude of government expenditure, deteriorates the banking and financial systems, and gives strength to clandestine exchanges within the underground economy. Furthermore, a strong

correlation has been established between corruption and higher levels of income inequality as well as poverty. On a larger scale, when a few firms and entities such as the military establishment, shape the rules of the game through massive non-transparent and illicit processes, this situation is referred to as State Capture inflicting the greatest damage to a nation's economic development prospects. State Capture and administrative misconduct happen to be symbiotic factors within the complete nexus of corruption.

Effects on Investment and Growth

There is a direct relationship between cost of doing business and corruption. Wherever state capture prevails, few firms which pay bribes to manipulate the content of rules and laws make significant gains at the expense of distorting the overall business environment. So in the larger context, corruption leads to output decline. Scarce resources are wasted on unproductive expenditure and misallocation to powerful entities. Such diversions of money and public official effort from the public interest to self-dealing, hampers economic growth by creating the impression that a country is devoid of recourses, whereas in reality plentiful resources are simply being usurped by the ruling elite. In Pakistan, this situation is confirmed by the Global Competitiveness Report (WEF,2017), showing corruption as the greatest challenge for companies for doing business in the country.

Poverty

In underdeveloped countries the more there is diversion of government spending away from public goods such as education and health, the more insidious becomes the problem of poverty. Of course, deficiencies in economic growth and institutional capacity can “run in both directions” and paucity of resources could be a cause or a consequence of corruption. Nevertheless, control of corruption is intrinsically linked to achievement of Sustainable Development Goals. Corruption weakens the provision of basic public services to the marginalized, excluded and vulnerable members of the society who cannot lift themselves out of their subhuman living conditions without such support. Corruption weakens the social safety net and restricts the people living in abject poverty from seeking their basic rights and entitlements, being socialized to accept their living conditions as fate and destiny.

Inequality

Corruption and State Capture allows concentration of gains within a narrow group of beneficiaries on the basis of having legislative and regulatory control over resources, to the exclusion of entities that are not part of this group. Thus, inequality is one of the factors which feed corruption. For example, during the privatization process in most transitional countries few companies having political patronage used illegitimate means to influence to acquire productive assets. This caused unequal redistribution of the once so called “social” assets. The most pernicious signs of corruption induced inequality are as follows:

- Poorly constructed and ill-conceived infrastructure projects like roads, water projects, bridges, government buildings etc. existing alongside highly luxurious residential colonies having state-of-the-art living facilities.

- Antiquated and inadequate market infrastructure particularly for exchange of agricultural commodities in rural areas. While urban centers continue to boast of ever increasing number of Malls and Plazas offering high end brands and imported consumer goods.
- Poor education standards at public schools, plagued with absence of teaching staff, dilapidated buildings, lack of laboratory facilities and library books. In contrast, private chain of schools offering international quality education at a cost affordable only by the affluent sections of the society.
- Government hospitals having inadequate number of beds, insufficient medicines, very few vehicles to transport patients in case of emergency and demoralized staff due to long working hours and low pay. On the other hand, private hospitals are more like luxury hotels for treating the rich and famous.

Eventually, the budget planners and donor countries lose confidence in the ability of an organization to deliver improved infrastructure and become reluctant to provide further funding. As people of rural areas are poor and cannot pay for any services, they will not have access to educational or health institutions. Alternatively donor agencies force privatization of infrastructure building and delivery of services giving contracts to companies that specialize in urban areas. Such private companies often do not trust or have confidence in the local labor and tend to bring labor from other provinces or focus only on projects in urban areas resulting in the continued suffering of people living in rural communities.

Fiscal Implication

According to Ghosh & Neanidis (2010), impact of bureaucratic corruption on fiscal policy can take three forms: first, it reduces the tax revenue collected from individuals; secondly, it drives up the sum of non-development government spending; and lastly it impairs the productivity of development expenditure. As far as public finances are concerned, corruption has an independent impact both on the expenditure and revenue sides of the budget, considering that it shifts expenditures towards items with opportunity of inflated spending and revenues towards items with greater possibility of "commissions".

Given that a large part of administrative corruption is related to tax and customs officials receiving unofficial payments from companies in exchange for imposing lower tax, corruption represents a substantial leakage from the national income as indirect payments to public officials. Other ways that corruption hampers fiscal discipline is in the assignment of subsidies to unjustified areas. For instance, corruption in procurement exacerbates wastage of public resources by purchasing low quality products and services, and deterring honest agents from working for the public enterprises. On the whole, the fiscal defects brought about by administrative corruption and state capture explains weak macroeconomic performance in developing countries.

In Pakistan, undertaking so called economic projects like "Green Tractor Scheme", "Yellow Cab Scheme", "Karachi Mass Transit Project", "IPPs", "Ghazi Barotha Hydropower Project" and even the "Motorway Project" have created a perception of rampant corruption. Lack of transparency and exorbitantly high valuation associated with these projects disturbs the balance required for a

genuinely developmental budget.

Credibility of the State

Corruption causes public distrust in the institutions of state, leading in turn to weakening of the state's capacity to deal with corruption. Questionable integrity of the political leadership is the core issue behind dysfunctional political systems giving rise to administrative corruption and state capture. A precarious outcome of this trust deficit is increasing criminal activity. Organized crime as well as street crime increase with greater perception of political and administrative corruption. There is a nexus between state capture and public trust erosion with deepens and entrenches the social and economic problems in developing countries.

International donor agencies like Organization for Economic Cooperation and Development (OECD) and World Bank have noted the lack of transparency in recruitment, ambiguity in site selection, absenteeism and bribery in many development projects of Pakistan. In some cases, such as the Baluchistan Primary Education Project, the lack of credibility has caused cancellation or deferral of projects. International financial withheld loan disbursements after irregularities were uncovered which added insult to injury. In many countries facing state capture, political reformers with a mission to fight corruption, face stiff resistance from the establishment forces and a cynical population. Only when these reformers are able overcome the deep chasm of public distrust can anticorruption programs become effective.

Institutionalization of Corruption

Ideally, in a democratic system the institutions of legislative, executive and judiciary impose checks and balances on each other, thereby reducing chances of corruption. Institutional tussle is one of the main causes of corruption in countries like Pakistan where the struggle is to dominate over other institutions even at the cost of overstepping the legal mandate. The Military and other undemocratic forces such as the international hegemonic powers use this situation to control institutions according to their own agendas. While such control is not always negative (for example the Military under leadership of General Raheel Sharif established law and order in the country without being completely subservient to the elected government), still internal strengthening of institutions is the long term solution of corruption.

When corruption is left unaddressed it becomes the institutional norm. The result is pernicious for public administration as competent and honest employees are deterred from working for government, further reducing institutional capacity and effectiveness. Inadequate salaries of civil servants, curtailing their authority and political victimization are all institutional drivers of corruption. On an individual level, 'Demonstration Effect' has a significant impact on the behavior of public officials when they observe how others employed in corporate sector or working in foreign countries are able to maintain a very high standard of living, they too desire similar benefits, sometimes resorting to corrupt practices in the process. Another reason leading public servants to disregard ethical conduct is that the corrupt officials receive a sort of covert institutional praise in terms of knowing how to "get things done", and being "smart enough" to assume an independent role

outside formal boundaries of authority. To control corruption, institutions need to create motivational incentives for honest and dedicated employees so they do not contemplate adopting unethical behavior.

Collusion within institutions deepens the menace of corruption. An example of collusive bribery and abuse of power could be of a police officer taking money for dropping charges against an offender or accepting bribe in return for arresting some other person at the behest of a political party leader. While the party leader was ordering this police officer to arrest a political opponent unless this person ceased to oppose him. In countries like Pakistan, appointments particularly in the police force are often on the basis of political considerations. There are numerous instances where there are conflicts of interest for a public official due to personal loyalties and family connections but these are considered as normal. As a result influential groups and individuals with police connivance, continue to exploit poor people through extortion, bogus fines and other corrupt practices.

Proposed Remedial Measures to Prevent Corruption

Prevention of corruption is a process of designing interventions so as to nip the evil of corrupt conduct in the bud. Regarding which specific actions should be taken, depends on the context as well as evidence of corruption and the goal of prevention. One of the goals of corruption prevention is to create an ethical environment so as to nurture innovation and entrepreneurship in the business community. Another goal is to improve quality of public services for the poor and marginalized segments of society. Both are equally meaningful goals for a developing country like Pakistan. In fact, Anti Corruption Establishment in the country dates back to 1960s when a Federal Investigation Agency (FIA) was mandated to deal with the matter. Unfortunately, in subsequent years, corruption permeated FIA (Javaid, 2010). The military government in 1999 focused on accountability, establishing National Accountability Bureau (NAB). NAB is authorized to investigation corruption even if it such investigation is being carried out by other agencies. The National Anti Corruption Strategy (NACS) is devised for prevention capacity building, improving enforcement by skill enhancement of investigators and prosecutors and improving awareness of different forms of corruption including financial and cyber crimes.

In the Pakistani context, corruption prevention is necessary for securing the future of this country. The direst issue in the country is that of poverty and poverty alleviation in rural areas depends on successful completion of development projects which face threat of closure due to the evil of corruption. Terrorism, deteriorating economic conditions, electricity and gas crisis are difficult realities of this country and their solution lies to a great deal in addressing the menace of corruption. Therefore, it is necessary that all stakeholders including political parties, government officials, civil society organizations, private companies, donor agencies and common people should form a coalition and recognize their individual responsibility to prevent corruption. Considering that corruption in Pakistan is a complex issue with multiple forms and many faces, means that prevention mechanisms need to combine different approaches for the purpose of reducing incentives and opportunities for corruption and inducing government officials towards ethical behavior.

Yet, it is also imperative that in Pakistan prevention efforts are not only inclusive of encouraging ethically sound individuals but also at detecting and punishing those involved in any form of corruption. Following are some of the strategies and policy levers at grass root and government levels which have proven to be useful in curbing corruption in other Asian countries, and which need to be adopted in Pakistan:

- To reduce economic stimuli for administrative corruption in Pakistan, ensure that salaries of civil servants and government employees are not less than the remuneration they would receive in private sector employment.
- Strengthening and expediting judicial process is crucial in the fight against corruption in Pakistan. Currently, the legal processes reward rather than punish perpetrators of corruption because the lower judiciary is amenable to letting off the accused if the ‘price is right’ (Ismail and Rizvi, 2010).
- Ascertain the independence of anti-corruption agencies like NAB and FIA in Pakistan such that officials have the capacity to deter or punish offenders. Further, these agencies should be encouraged to act on case to case basis rather than following standard interventions (Ali, Khan & Khalid, 2016).
- The media should be allowed to launch anti-corruption programs and encouraged to demand ethical code of conduct in government organizations. Investigative reports exposing scandals of corruption, provided these are supported by facts, ensure greater transparency which is need of the hour in Pakistan .
- Mechanisms for addressing corruption in public sector procurement such as “Public Procurement Regulatory Authority” (PPRA) and “Project for Improvement in Reporting and Auditing” (PIFRA) in Pakistan must be focused on improving efficiency and fairness. Moreover, whistle-blowing should be encouraged through monetary incentives.
- Maintain black-lists of officials and agencies that are perceived to engage in corrupt practices and taking action against them as soon as evidence surfaces. Engaging only the honest and competent officers for assignments that involve public projects and services.
- To deal with grand corruption in Pakistan, there needs to be prosecution of senior civilian and military officials as well as political leaders such that an example is made of the corrupt elite. Even the “investigative agencies” in Pakistan should be brought to the book. Even if the agency claims to be serving in the best interest of Pakistan, still no single individual should be considered above law.
- Only a wide spread purge of corrupt elements within political parties can strengthen democracy in Pakistan. Political parties should adopt integrity systems approach and require members to temporarily resign if credible allegations of corruption surface against them. Membership should be restored if after a fair investigation they are absolved of any corruption.
- Information communications technology (ICT) and Social Media is currently

considered as the panacea to address deficiencies in transparency and accountability of government. In Pakistan, a vibrant social media community instantaneously shares information and views regarding all government activities. Smart phone applications can improve access to public services, thereby enhancing equality and reducing corruption.

Governance: Meaning and objectives

Governance involves all those activities which are associated with administering a country or an institution. It is related to decision making that defines expectations of citizens, dispensation of power, verification of performance as well as leadership processes. Governance is based on authority, responsibility, influence, and accountability. Authority means assigning legal power to officials for decision making as required. Responsibility requires that decisions will be owned and vouched for. Influence allows the officials to be heard and obeyed. Finally, Accountability holds the official answerable for their decisions and actions. United Nations Development Programme (UNDP)(1997) has defined governance as “the exercise of economic, political and administrative authority to manage a country’s affairs at all levels. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences”. This definition emphasizes components of legality, legitimacy and participation to invoke the efficacy of governance. On the other hand, the World Bank has focused on stabilization and reforms aspects of Governance, especially in relation to civil services and privatization.

While some definitions of Governance are society-centric others are more State-centric. No doubt that governance in modern times relies on policy levers which are less coercive, yet the State still needs to play a lead role in establishing priorities, defining national goals and steering of the society and the economy. The aim of governance is ultimately to articulate and align the needs and interests of citizens and establish a social contract that binds different segments together for development of the entire society. (UNESCO, 2006)

Measuring Governance:

Governance is a complex phenomenon which has been subject to wide-ranging analysis and elucidation by experts from different fields of study. Different ideological orientations associated with this concept assume varied systems of economic and political management and have diverse viewpoints regarding importance of institutions to governance outcomes. This lack of clarity and consensus has made measurement of governance difficult and even controversial to some extent.

In many ways, measurement of governance is a political endeavor. Governance appraisals can be based on external assessments, peer assessments and self-assessments, each of which can yield conflicting results depending on the agenda of the agency conducting the appraisal. For example, external assessment may be conducted by donors and international NGOs. An example of a peer assessment is the African Peer Review Mechanism (APRM) in which all the states within the [African Union](#) have agreed to implement an instrument to monitor honest,

transparent, accountable and participatory government (Gruzd, 2009). Finally, self-assessments are country-led evaluations that compiled by government agencies, civil society, independent researchers and other stakeholder at country level. One of the main initiatives to build a measure of governance which has generated internationally comparable data, and which is generally accepted as a reliable external assessment source, is the Worldwide Governance Indicators Project.

The project has generated data on aggregate and individual governance indicators in 215 countries, starting in 1996 and updated yearly since 2015. Based on over 40 data sources from over 30 different organizations the WGIs comprise of six dimensions of governance. These dimensions include voice and accountability, political stability and lack of violence, government effectiveness, regulatory quality, rule of law, control of corruption. The indicators are criticized for lacking guidance towards concrete actions, having hidden biases and being pitched to donor agencies instead of bringing forth concern about the poor. Nevertheless, the WGIs have spurred scholarly research and have brought forth the experiences and opinions of organizations and individuals seeking to play a role in Governance Reforms (Kaufmann, Kraay & Mastruzzi, 2010).

Other established datasets measuring governance include: [*Bertelsmann Transformation Index \(BTI\)*](#) since 2008 looks at "public sector management , steering capability, resource efficiency, consensus building, and international cooperation"; *Sustainable Governance Indicators (SGI)*, since 2009 considers "strategic capacity, inter-ministerial coordination, policy implementation, and institutional learning"; [*Institutional Profiles Database \(IPD\)*](#) since 2006 indicating "civil service training, remuneration, and performance, as well as the capacity of political authorities"; [*Global Integrity Report*](#) since 2004 includes "financial disclosure, conflict of interest, merit-based recruitment, and human resources management for the civil service".

Evolution of Development Thought and the Shift from "Government" to "Governance"

In order to gain an understanding of how the “black box” of governance reforms functions and how government policies relate to public welfare, it is necessary to consider the shifts in development thought which have underpinned development strategies. In the Post World War II era, development thinking has gone through four phases.

First Phase:

In this preliminary phase beginning in the 1950s and dominating development thought till the late 1960s, Keynesian demand management analysis were the basis of economic policies. Third World countries received foreign aid and technical assistance to set out on the path of development. Popular theories at the time by W. W. Rostow and Harrod–Domar suggested that countries start out being underdeveloped, but eventually they develop once the problem of low capital formation can be addressed. Development was considered only in terms of economic growth and governments in developing countries were expected to implement the development projects on the pattern of developed western

economies. It was generally believed that benefits of economic growth would automatically trickle down to the poor. Such thinking was criticized on several grounds. It was observed that countries may stay locked in the underdevelopment trap or even go backwards depending on factors such as administrative capacities of public official and the availability of skilled labor. Moreover it should not be assumed that all countries have the same initial conditions necessary for economic take-off. As fundamentals including culture, educational caliber, political systems etc. are unique to each country therefore countries need to pursue distinct development paths depending on their own definition of public welfare.

Second Phase:

The second period of development thought became dominant in the late 1960s after the linear models of development failed to deliver the desired results. Economists started to endorse development approaches based on structural change such as the reallocation of labor from the subsistence agricultural sector to the modern industrial sector as suggested by Arthur Lewis's influential theory. The international development community followed the pattern recommended by structural change economists. This led policy makers to adopt strategies for poverty reduction. Developing countries were encouraged to launch programs which invested in human capital through universal primary education and health care. Problems with this approach include neglect of the agriculture sector and suggesting governments to adopt the established pattern of development instead of evolving development strategies according to their own resource endowment, size, policies and objectives and geo-political environment (Todaro and Smith2009).

Third Phase:

The third phase in the history of international development started with the emergence of Neo-marxist dependence models in 1970s and ended at the opposite end of the government intervention debate due to the dominance of neo-liberal agenda in the 1980s. The dependency theorists held that the cause of underdevelopment was the hegemony of developed countries and multinational corporations which did not permit developing countries to become self-reliant. Free trade was called a tool of “exploitation” by the developed countries, as the under developed country was receiving few benefits in such exchanges. However, the autarky policy and nationalization strategy led to stagnation of economic growth and countries reverted to opening their economies once again. Privatization, smaller government, lower public expenditure, export-orientation and openness to private foreign investment became the mantra for development. Structural Adjustment Programs of the International Monetary Fund (IMF) and the World Bank sought to restore macro-economic discipline by way of reducing government expenditure and endorsing a greater role of the private sector in managing the economy. New Public Administration (NPM) strategy was launched whereby civil servants and bureaucrats were required to act more like corporate managers, focusing on enhancing the efficiency of the public sector. Yet, the outcomes of NPM have been far from ideal. Politicization of the public services is more severe than before and there is erosion of power and status of the bureaucracy. This has lowered the morale of the public servants moving them further away from responding to citizens' needs and instead forcing them to carry

out agendas of the political elite. Due to these deficiencies of the neo liberal policies and NPM approach the focus of development thought turned towards governance reforms.

Fourth Phase:

Since the 1990s development efforts have been focused on making the world a more equitable place for all humans. The movement started when the Human Development approach proposed by Amartya Sen and Dr. Mahboob-ul-Haq, emphasized widening of choices and enhancing human capabilities as the key areas of development policy. Subsequently, first the Millenium Development Goals (MDGs) and recently the Sustainable Development Goals (SDGs) have been accepted as the desired outcome and guiding principles of governance initiatives world over. In the process it is realized that politics and development are not contradictory activities, since politics engages the public and increases their participation in development activities. Moreover, for development to be inclusive and sustainable the range of actors involved in implementation of development programs must be broadened. This realization has lead to the development of new modes of governance in which government is considered only one of the agents in the process of governance along with networks of civil society and the private sector. Thus the most recent shift in development thought can be seen as a shift from government to governance.

Good Governance and Development Reforms

The term “good governance” with reference to countries is a broad expression which does not have a unique definition. As per the World Bank (1993): "good governance entails sound public sector management (efficiency, effectiveness and economy), accountability, exchange and free flow of information (transparency), and a legal framework for development (justice, respect for human rights and liberties)". Good Governance is often seen as a means of comparing poor policies and practices of ineffective governments with viable policies and practices of effective governments. As many of the effective governments in the modern world belong to liberal-democratic western countries, the institutions in these states often become the bench mark against which the institutions of developing counties are compared. Fukuyama (2013) holds that there are two aspects to distinguish between good or bad governance namely, the capacity of the leadership to achieve national goals and the autonomy of bureaucracy to implement policies.

Another way to understand good governance is by looking at development outcomes. Governments are mandated to achieve national goals like providing public goods and services including defense, health, education, clean water and food, contract enforcement, property protection, environmental protection and protection of political rights, therefore good governance is the availability of these deliverables to the citizens.

Within an international context good governance can be analyzed by considering all or some of the following relationships:

- among governments and businesses,
- among governments and the general public,
- among governments and the development sector organizations,

- among politicians and civil servants,
- among local bodies and community members,
- among parliament and executive ministries,
- among the states and within state institutions.

Characteristics of Good Governance:

According to UNESCAP (2009), Good Governance has 8 major characteristics. These are as follows:

1. **Participation** - citizens actively voice their opinions and engage with government representatives.
2. **Rule of Law** – Judiciary functions impartially and human right laws are respected.
3. **Consensus Oriented** – Different interests groups find the means to reach a consensus regarding best interests of the country.
4. **Equity and Inclusiveness** – All segments of the society including minorities should have opportunities to improve their welfare.
5. **Effectiveness and Efficiency** – Public institutions meet the desired goals of development at least cost.
6. **Accountability** – All decision makers are held answerable to the public and institutional stakeholders.
7. **Transparency** – Public should be able to access information regarding any decisions taken by state officials.
8. **Responsiveness** - Institutions and officials should be considerate of the needs of all stakeholders as well as the present and future needs of society.

Figure 1: The Three Pronged Model of Good Governance



The first dimension includes *Openness, Transparency and Integrity*. This regards mainly to the political setup of the country and calls for top leadership to come clean in their dealing. The second dimension includes *Performance Orientation*. This regards mainly the bureaucratic setup which needs to overcome its paralysis and respond to the needs of marginalized segments. The third dimension includes *Effective Collaboration*. This mainly regards the civil society organizations which

must become partners in development by not only exposing deviations from policy but actively participating in building an enabling environment for development reforms.

From good governance to good enough governance:

Good Governance in developing countries has become more relevant in recent years due to donors' fatigue and ineffective management of aid. However, a broad notion of good governance has given rise to an ambiguous reform agenda without answering fundamental questions such as what exactly needs to be done, when an action needs to happen, who will undertake the required activities and how things needs to be done. Grindle (2004) defines Good Enough Governance as: "a condition of minimally acceptable level of government performance and civil society engagement that does not significantly hinder economic and political development and that permit poverty reduction initiatives to go forward". As against a broad notion of governance, the Good Enough Governance concept permits researchers, decision makers and donor agencies to decide on a minimum acceptable level of governance given the unique historical, institutional and, cultural context of different countries. The concept of Good Enough Governance, though still nascent, offers the prospect of setting realistic agendas which are ethnocentric and manageable.

Improving governance outcomes in developing countries:

- Needs Assessment before launching ambitious development projects.
- Careful consideration of lessons learnt from past projects of similar nature
- Synchronization of duties among public institutions to avoid duplication
- Broaden the set of managerial skills among public servants
- Avoid policy overload, instead focus on implementation
- Encourage Public-private partnership
- Foster leadership and entrepreneurship at grass root level
- Effective Contract Management, Consultations and Negotiations
- Generate Local Knowledge and learn through local level best practices
- Redefine the role of donors and refusal to accept generic policy prescriptions
- Define national goals and strategies which are suitable and achievable
- Participation of stakeholders in policy formation to ensure ownership of the reform agenda
- Equity and Inclusion should be the central theme of governance reforms

Crisis of Good Governance and Failure of Corruption Prevention in Pakistan

In Pakistan, corruption has spread with leaps and bounds while in comparison initiatives to improve governance have been weak and uneven, ultimately culminating in arrested development and lost opportunities. In the context of the leaked Panama Papers, both the ruling and opposition parties in Pakistan have leveled serious charges of corruption against each other. The judiciary is playing its part in giving verdict on the matter, even though it faces serious challenges in carrying out a fair investigation due to all kinds of pressures being exerted by entrenched interest groups.

Mega corruption scandals of mind boggling proportions regularly surface, often exposing the collusion between top political leadership and bureaucracy. For example an accountability court indicted former federal minister of petroleum Dr. Asim Hussain and an ex-secretary petroleum Ejaz Chaudhry in a corruption reference of over Rs. 460 billion including misappropriation of quota in fertilizer scam, land fraud and money laundering between 2010 and 2013. There are multiple examples of grand corruption and collusion in higher judiciary, top military, powerful media houses and business magnates. For example, the case of former [Chief Justice of Pakistan](#), [Iftikhar Chaudhry's](#) son allegedly taking money from a real-estate tycoon, [Malik Riaz Hussain](#), in exchange for favorable court decisions. The Asghar Khan case where it was ruled that Gen (ret'd) Aslam Beg and Lt-Gen (ret'd) Asad Durrani had doled out money to politicians for manipulating the results of 1990 elections. The AXACT fake degree scandal, in which a sitting judge admitted to receiving Rs.5 million in bribe to acquit BOL TV's CEO Shoaib Shaikh.

Yet the perpetrators of grand corruption are seldom punished to the extent of their crime due to widespread petty corruption in government and judiciary. As Javaid (2010) has observed "there is breakdown of law and order because of pervasive corruption in police and lower judiciary meaning that the influential, the wealthy and the mighty have a fair chance of getting away with whatever they do, if they pay the right price at the right stage". The Pakistani society on the whole tolerates corruption and as a result, The Global Integrity Score Card (2010) shows that despite having a strong anti-corruption legal framework, implementation of corruption prevention policy in Pakistan is very weak.

Crisis of Good Governance in Pakistan is exacerbated due to failures of corruption prevention. Such is evident from Worldwide Governance Indicators (WGI) (2015) dataset which shows Control of Corruption as the second weakest area of governance in Pakistan after Absence of Terrorism. Marginal gains in corruption control in 2015 since 2010 are offset by marginal deterioration in Rule of Law during same time period. Overall score in terms of Government Effectiveness and Regulatory Quality in 2015 remains in the 30th percentile, which is low in comparison with other lower middle income countries. The only silver lining is in the Voice and Accountability area, which has shown some improvement since 2005.

Conclusion

Governance failures in Pakistan are embedded in the country's colonial past. British rule in the Sub-continent linked accountability to the colonial masters instead of the citizens thus restricting independence of the civil service (Ismail and Rizvi, 2010). But the real issue here, as also pointed out by Hussain, & Hussain, (1993), is the inability of the system to reform civil structures and to devise a strategy for strengthening democratic institutions. Over the course of its political history, Pakistan has witnessed repeated military interventions as well as the covert control of foreign hegemonic powers. This has resulted in constant experimentation with the administrative systems and prevented a natural evolution of responsive governance systems. Moreover, failure of governance can also be attributed to the political stronghold of the feudal lords, the industrial bourgeoisie

as well as elements in the military and bureaucratic establishment who together find it in their self-interest to perpetuate an anti-development status quo.

Successive governments find it most convenient to place the blame on "wrong policies" of former regimes to explain their governance failures. The solution then is to simply do away with institutions and systems established by past regimes, prosecute its sympathizers and sink massive funds in establishing new institutions and initiating new development projects. Other cosmetic changes are made in laws of the country to appease the development community.

Any meaningful change is often thwarted as these laws are not implemented in their true spirit. Such is the control of vested interests and incompetent officials in Pakistan that even the best laws cannot address the glaring inequity in the provision of education, health, civic services and infrastructure. Lop-sided priorities of leaders are obvious. For example, building metros and high speed trains, distribution of laptops and other show-case projects instead of fixing fundamental issues of energy and water crises, uncompetitiveness of industry and problems with empowering the poor masses. Maintenance of Law and Order, which is a fundamental duty of the state, has also been extremely problematic in Pakistan. While the tentacles of terrorism have spread throughout the world, Pakistan suffers most from its consequences despite having an international image of sponsoring this heinous activity. The perception of poor law and order in Pakistan reduces foreign investment further damaging a fragile economy. Finally, governance reforms need to address the issue of climate change which will affect future generations. Yet in Pakistan, despite the ever growing environment-related policies and institutions, pollution is growing at an alarming rate (Faisal, 2017). In the final analysis of corruption and failure of good governance in Pakistan, it can be stated that it is up to the People to make choices which are good for the country and not only for self-interest. Electing honest leadership and forcing public sector managers to remain ethical will eventually ensure accountability and meaningful governance reforms.

References

- Ali, A., Khan, M.J. & Khalid, S. (2016) Theory and Practice of Understanding Corruption in Pakistan :Case Study of National Accountability Bureau, KP, Available at www.pide.org.pk/pdf/DevStudies/thesis/asif
- Amundsen, I. (1999). *Political corruption: An introduction to the issues*. Chr. Michelsen Institute
- Available at <https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017>
- Cartier-Bresson, J. (2000). Economics of corruption. *Organisation for Economic Cooperation and Development. The OECD Observer*, (220), 25.
- Dančíková, Z. (2012). *Costs of Corruption*. Transparency International Slovakia.
- Della Porta, D., & Vannucci, A. (1997). The 'Perverse Effects' of Political Corruption. *Political studies*, 45(3), 516-538.
- Dimant, E., & Tosato, G. (2017). Causes And Effects Of Corruption: What Has Past Decade's Empirical Research Taught Us? A Survey, *Journal of Economic Surveys*
- Faisal, F. (2017) Sustainability: An Imperative For Improving Governance And Management In Pakistan, *Pakistan Economic and Social Review Volume 55, No. 1*.
- Fukuyama, F. (2013). *What Is Governance?* Center for Global Development. Working paper 314
- Ghosh, S., & Neanidis, K. C. (2010). Corruption, fiscal policy, and growth: A unified approach. *The BE Journal of Macroeconomics*.
- Global Integrity Score Card (2010) Global Integrity licensed under a Creative Commons Attribution. Available at <https://www.globalintegrity.org/research/reports/global-integrity-report/global-integrity-report-2010/gir-scorecard-2010-pakistan/>
- Grindle, M. S. (2004). Good enough governance: poverty reduction and reform in developing countries. *Governance*, 17(4), 525-548.
- Gruzd, S. (2009). [*Africa: The African Peer Review Mechanism - Progress and Prospects*](#), South African Institute of International Affairs (Johannesburg)
- International Financial Institutions Anti-Corruption Task Force (2006) Report on Uniform Framework For Preventing And Combating Fraud And Corruption, Available at <https://siteresources.worldbank.org/.../FinalFITaskForceFramework&Gdlines.pdf>
- Hussain, Mushahid & Hussain, Akmal (1993) *PAKISTAN: Problems of Governance*, VANGUARD BOOKS PVT. LTD
- Ismail, Z. H., & Rizvi, S. (2010). Some issues of governance in Pakistan. Available at <https://www.researchgate.net>
- Javid, U. (2010). Corruption and its deep impact on good governance in Pakistan. *Pakistan Economic and Social Review*, 123-134.
- Kaufmann, D., & Vicente, P. C. (2011). Legal corruption. *Economics & Politics*, 23(2), 195-219.

Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). Response to ‘What do the worldwide governance indicators measure?’. *The European Journal of Development Research*, 22(1), 55-58.

Khan, M. (1996). The efficiency implications of corruption. *Journal of International Development*, 8(5), 683-696.

Klitgaard, R. (1988) *Controlling Corruption* University of California Press

Mauro, P. (1998) *Corruption: Causes, Consequences and Agenda For Further Research*, Finance & Development, 11-14

Mills, A. (2012). Causes of corruption in public sector institutions and its impact on development. Available at unpan1.un.org/intradoc/groups/public/documents/un-dpadm/unpan049589.pdf

Moody-Stuart, G. (1997). *Grand corruption: How business bribes damage developing countries* (Vol. 2). World View.

Nyantakyi, K. R. (2002). Corruption: What is it ? In *Corruption and Development in Africa. Proceedings of a seminar organised by the Ghana Academy of Arts and Sciences with the Friedrich Ebert Foundation from 17th–19th June* (pp. 1-13).

Nye, J. S. (1967). Corruption and political development: A cost-benefit analysis. *American political science review*, 61(2), 417-427.

Olken, B. A., & Pande, R. (2012). Corruption in developing countries. *Annu. Rev. Econ.*, 4(1), 479-509.

Rose-Ackerman, S., & Palifka, B. J. (2016). *Corruption and government: Causes, consequences, and reform*. Cambridge university press.

Todaro, M., & Smith, S. (2003). *Economic development* (8th ed.). Boston: Addison Wesley

Transparency International (2013) *Global Corruption Barometer*, Available at <https://www.transparency.org/gcb2013/country/?country=pakistan>

UNESCAP (2009). What is good governance?. *United Nations Economic and Social Commission for Asia and the Pacific*.

United Nations (2004) *Practical Anti-Corruption Measures For Prosecutors and Investigators*, Available at <https://www.unodc.org/pdf/crime/corruption/Handbook.pdf>

United Nations Development Programme. (1997). *Governance for Sustainable Human Development: A UNDP Policy Document*. United Nations Development Programme

United Nations Economic and Social Council (UNESCO) (2006). Definition of basic concepts and terminologies in governance and public administration. *E/C, 16*(4).

World Bank (1993). *Governance* Washington, D.C.

World Bank (2016) *Ease of Doing Business Ranking* , Available at <http://www.doingbusiness.org/rankings>

World Economic Forum (WEF) (2017) *The Global Competitiveness Report 2016–2017*.

Worldwide Governance Indicators (WGI) (2015) *Pakistan: Country Profile* Available at www.govindicators.org.