

## Chapter 12

# Institutional Impediments to Human Development in Pakistan

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... contradictions abound in a country of weak institutions and strong individuals, of economic growth without human development, of private greed and lack of social compassion, of election rituals without real democracy.

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Within two decades of its independence, American economic advisors declared Pakistan's economic development a resounding success.<sup>2</sup> Since its creation in August 1947, Pakistan had achieved and maintained high rates of growth of gross national product (GNP), averaging more than 6 percent per annum. According to dominant economic thought when Pakistan was in its formative years, the key to development – defined as growth of GNP per capita – was the concentration of capital. Thus, Pakistan's economic planners aimed to achieve high growth rates by concentrating capital, and diverting a minimum of resources to social welfare. Inequality was an explicit component of Pakistan's strategy of economic growth through 'functional inequality'.<sup>3</sup> Given the emphasis placed at that time on the 'social utility of greed', it seems a little strange that many now regard Pakistan's combination of high gross domestic product growth rates and low levels of human development as 'enigmatic' or 'paradoxical'.<sup>4</sup> In view of the low priority given to human development in the past, it is not surprising that Pakistan currently suffers some of the lowest rates of literacy, life expectancy, infant and maternal survival in the world.

What calls for explanation is why performance in the social sectors has not improved recently with greater professed public commitment and financing. The institution of electoral contest for public office, which was

never very firmly established in Pakistan, returned in 1988 with the death of President Ziaul Haq. This return to electoral politics coincided with a new economic era and International Monetary Fund (IMF) structural adjustment agreements. Particularly important was the Social Action Program (SAP) which has been the umbrella program for government investment in education, health, sanitation, water supply, and population planning since 1992. It appears that since 1988 social spending in real terms and as a proportion of total government expenditure initially shrunk (1988–91) and then increased (1992–98). The effectiveness of those funds, however, seems to have declined. Public debts, internal and foreign, also increased and constricted economic policy options. Competition between rival political parties – parties which are themselves weak – does not seem to have reduced political abuse of social sector spending.

Why does Pakistan suffer such serious levels of deprivation in its social infrastructure and social opportunity? The concept of social infrastructure refers to a network of publicly accessible programs and services involved in the promotion of the public's education and health. As Jean Dréze and Amartya Sen have elaborated, the concept of social opportunity is identified not with specific indicators of development, but with the expansion of choice for individuals. Health, education, and literacy are conceived as the goals and the means to greater social opportunities.<sup>5</sup> Descriptive accounts on the failings of Pakistan in the sphere of human development typically attribute it to a lack of public responsibility and accountability, a weak civil society, corrupt governments, parasitic politicians, and avaricious industrialists. In this chapter, I argue that there are three major institutional impediments to the resolution of Pakistan's poor performance in human development. One, pervasive discrimination against girls and women. Two, unaccountable, unrepresentative, and unresponsive government with its control of the administration of education, health, water, and sanitation. Three, the fiscal crisis of the Pakistani state, the full impact of which on social sector development has been held at bay for the time being by external financing.

Accordingly, I analyse below why the operation of public institutions in Pakistan has not created greater social infrastructure and opportunity. The first section of this chapter briefly assesses Pakistan's record on human development. Trends in government expenditure on social sectors such as education and health are then examined. The next section discusses the situation of pervasive gender discrimination and statist development practices. These are related to the poor performance in the recruitment and retention of teachers and health professionals and to poor government management of development administration. Next, the performance of the Social Action Program is assessed. Analysis of the reasons for the failure of the SAP to implement its projects helps to clarify how institutional arrangements in the administration of social welfare and infrastructure

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impede human development. The final section of the chapter considers the economic requirements of governance in Pakistan.

### SOCIAL INVESTMENT

Pakistan's record in human development and provision of social infrastructure and opportunity is miserable, and compares unfavorably even to countries with lower real per capita income. Pakistan devotes a smaller percentage of central and provincial government revenue to education, social welfare, health, and community services than all other economies in the group of countries the World Bank classifies as poor, or that the United Nations Development Program (UNDP) classifies as being at a low human development level. The national and provincial governments in Pakistan devote only 2.7 percent of GNP to education and only 1.8 percent to health.<sup>6</sup> Nearly one in ten Pakistani infants die before the age of five. Maternal survival rates, the single best indicator of human development, are low. One reliable survey found maternal mortality rates ranging from 281 deaths per 100,000 live births in Karachi to 673 deaths per 100,000 live births in rural Baluchistan.<sup>7</sup> The figures for Baluchistan are on par with those of the Central African Republic and Sudan, countries with half of Pakistan's per capita purchasing power parity estimates of GNP.<sup>8</sup>

Access to education and the quality of educational opportunities are poorer in Pakistan than in all other economies of similar per capita income levels. Pakistan has a 62 percent adult illiteracy rate and, by some accounts, is the only country in Asia to suffer a decline in educational achievement.<sup>9</sup> Nearly 20 million children of primary school age, equal to almost half of the country's primary school age children, do not attend school. Children of poor families are prevented from attending school by the prohibitive cost of uniforms, books, and supplies. Others are repelled by the poor conditions of the schools. A majority of students reported being regularly beaten at school.<sup>10</sup> Drop-out rates, more accurately termed 'push-out' rates, are among the world's highest.<sup>11</sup> Nearly one half of the country's first grade entrants did not complete fifth grade.<sup>12</sup> Studies of school continuation rates found the lack of teachers to be the most significant factor for low male enrollment and the lack of both teachers and classrooms to be the most significant factor for low female enrollment.<sup>13</sup> Even where there are teachers and schools, the education which is available is of wretched quality, further discouraging children from attending or continuing.

Available comparative statistics on development, such as those reported by the UNDP's *Human Development Report* or the World Bank's *World Development Reports*, are poor. The data is typically manipulated by reporting agencies for political purposes. The UNDP figures are originally provided by government officials, such as district education officers and public health officers, who report exaggerated numbers to their superiors to

meet mandated targets. These, of course, must be exaggerated over past years' exaggerated figures. Table 1 should be read with scepticism for comparability. This is especially true for the figures for primary school enrollment and female primary school enrollment.

Pakistan compares poorly with its neighbors India, China, and Sri Lanka on a number of significant indicators of human development. As the table highlights, comparatively it performs the worst with regard to infant mortality, primary school enrollment and female school enrollments, literacy and female literacy, access to health care and family planning services. Sri Lanka has one fifth of Pakistan's infant mortality rate. Pakistan's female adult literacy is one third that of China and Sri Lanka. These poor socio-economic conditions set in motion a vicious cycle in human development in which parents are poorly placed to make the necessary investment in their children's education and their future social opportunity.

In the 1980s Pakistan made steady progress against poverty largely through remittances sent home by Pakistani workers in the Gulf economies. As a result, the proportion of the population living in poverty declined from 46 to 34 percent between 1985 and 1991.<sup>14</sup> However, when these remittances declined between 1991 and 1995 an additional 18 million

*Table 1: Pakistan's Social Development in Comparative Perspective*

	<i>Pakistan</i>	<i>India</i>	<i>China</i>	<i>Sri Lanka</i>
Infant Mortality Rate (per 1,000 live births, 1996)	95	73	38	17
Primary School Enrollment (percent of school age population, 1997)	46	102	121	107
Female Primary School Enrollment (as percent of male school age enrollment, 1997)	45	82	98	98
Adult Literacy Rate (percent of population, 1995)	38	52	82	90
Female Adult Literacy Rate (percent of female population, 1995)	24	38	73	87
Population w/o Access to Health Care (percent of population, 1990-95)	45	15	12	7
Population Growth Rate (per annum, 1970-1995)	3.0	2.1	1.6	1.5

*Sources:* UNDP, *Human Development Report 1998* (New York: Oxford University Press, 1998), 148-149, 162-163, 128-129, 132-133, 146-147, 176-177; and Social Policy and Development Centre, *Review of the Social Action Program* (Karachi: Social Policy and Development Centre, June 1997), i.

people were ground into poverty, although the economy grew at 4.5 percent.<sup>15</sup> Currently, more than 45 million Pakistanis survive below subsistence levels of caloric intake. The structural adjustment measures initiated in 1988 have helped to drive subsistence farmers, low wage workers, and their dependents into poverty because basic social infrastructure is lacking. Allocations to education and health by provincial governments, which largely fund the social sectors, dropped precipitously between 1988 and 1991, both in constant prices and in per capita terms.<sup>16</sup> Only when large amounts of external funding were obtained for Pakistan's SAP did expenditure on human development improve. Provincial governments now spend more than half of their budget on social sector development. Their approach, however, is largely an expansionary one – to build new schools and clinics, rather than to staff or supply them or to improve the operation of existing ones.<sup>17</sup> There may be a notably higher level of public and governmental expression of concern for human development today than there was ten years ago, but there are institutional lacunae that prevent that concern from being implemented in practical terms.

#### GENDER DISCRIMINATION

Gender discrimination is a pervasive feature of the social environment and perhaps the more intractable institutional impediment to human development. Three interrelated points about it are noted. First, the discrimination against girls and women is pervasive and extends from birth to grave. Second, girls and women are more readily entrapped in vicious cycles than boys and men. Third, the under-development of girls and women undermines the development of all.

Human development indicators reveal pervasive and severe discrimination against girls and women. In a reversal of global trends, in the one year to four-year age group, 12 percent more girls die than boys. Girls die in greater numbers because of pervasive discrimination: they typically eat less and last, are schooled only if their brothers are and often not even then, and are the last to be taken for or receive medical attention. Women giving birth face unclean water, infection, non-sterile implements for severing umbilical cords, and a dearth of medical professionals and practitioners. The lower standards of care received by girls and women has altered even the national balance of males and females. Using female-male ratios found in Sub-Saharan Africa, the Pakistani female to male ratio reveals millions of missing girls and women. The female to male ratio in Pakistan indicates that approximately four million girls and women have died prematurely (that is, in comparison to their male counterparts) due to gender discrimination.<sup>18</sup>

Female literacy (age 25 years and above) is half that of males. While only half of Pakistan's adult male population can read a newspaper, only a

quarter of Pakistan's adult females can.<sup>19</sup> Men (age 25 years and above) received an average of fewer than four years of schooling; women (age 25 years and above) received an average of slightly more than one year of schooling.<sup>20</sup> Primary school attendance among girls is roughly half of that of boys.

Girls and women are simultaneously more adversely affected by and more constrained by the vicious human developmental cycle. School completion rates, for example, are much worse for girls. At the same time, one of the strongest influences on girl's primary school completion rates is literacy of their mothers.<sup>21</sup> Uneducated girls are more likely to grow up to be illiterate mothers whose girl children will be less likely to complete primary school.

Discrimination against and the denial of basic human rights to girls and women poisons the entire process of expanding social opportunity. For example, outside of urban affluent areas such as Islamabad, Lahore, and Karachi pervasive discrimination against women's employment outside of the home prevents women from being educators and contributing to the educational advancement of a younger generation. Most government teachers in Pakistan are men. Female teachers are dissuaded by the prospect of postings in inhospitable and discriminatory rural areas. This contrasts with the situation in many other countries where women were prevented from employment in most professions but teaching was one profession that was open to women.

#### ADMINISTRATION OF PUBLIC WELFARE

Many of the political institutions that have a negative impact on the implementation of public policy are of colonial vintage. On the lines of the colonial Government of India Act 1935, Pakistan's constitution permits the executive branch of government to promulgate ordinances that vie in authority with laws passed by representative assemblies. Moreover, the system of training and promotion that was employed by the Indian Civil Service in colonial times continues within the District Management Group today and insulates the bureaucracy from society. As in colonial times, the district remains the basic administrative unit. The district commissioners in the former 'settled areas' of Punjab and most of Sindh, and political agents in the agencies or 'tribal areas' of Baluchistan and Northwest Frontier Province control local politics and the administration of human development. In each district, government departments have district officers. The two principal departments involved in human development in Pakistan are the Department of Education and the Department of Public Health Engineering. Principals and teachers report directly to the district educational officer. Doctors and other health professionals report to the district health officer.

Provincial governments are responsible for agriculture and irrigation, local government and rural development, health, education, police, courts, and highways and roads. A member of the provincial assembly, the minister of the relevant provincial government ministry, appoints educators and health professionals throughout the province. These appointments are typically made on a political basis. Appointees are not necessarily interested or capable in the profession for which they receive a salary, but accept these appointments as political rewards. Parents do not have influence over the provision of these public goods. The assessment of teachers and health care professionals is also not made locally and does not involve the communities where these teachers and health care professionals work.

Teachers face an array of disincentives. Working conditions, living conditions, pay, and social stature are extremely poor. Teachers typically teach a number of subjects and classes of different grades concurrently. There are no established avenues for promotion.<sup>22</sup> The facilities are poor: one fifth of the country's primary schools have no facilities other than a chair, a mat, and a blackboard.<sup>23</sup> Teachers in Pakistan often earn less than a living wage and receive an embarrassingly low rank as a government employee.<sup>24</sup> As one scholar comments, 'Teachers salaries are frequently almost at par with domestic servants. Indeed, a driver can earn more.'<sup>25</sup> Teachers receive no medical or transportation benefits, and there are no pension plans for teachers. They are also not permitted to form unions. Thus, there is a lack of social status associated with the profession, and many chose it because it offers them their only chance at regular employment. Subsequently, provincial governments have difficulty filling teaching positions with qualified individuals and there is high rate of absenteeism among working teachers.

Many government schools, especially primary and secondary schools, are even fictitious. Ministers may contract construction that does not take place and arrange for kick-backs and inadequate facilities. In fact, tiny villages are known to have more than one 'ghost school'. Like their government schools, many government teachers also exist only on paper. The former governor of Sindh, Moinuddin Haider, estimated in December 1998 that the province had 19,000 'ghost teachers'<sup>26</sup> – teachers who exist for pay-roll purposes only.

In the early 1990s, the proportion of students in private schools increased even while total enrollment and completion rates declined nationally. Studies conducted by the Social Policy and Development Centre found that 'the public is both willing and able to pay for [education and health] services.'<sup>27</sup> Constraints to education are overwhelmingly in its supply, not in demand. Survey evidence confirms that poor parents have an especially strong interest in educating their children. While their disposable income is low, poor parents spend a larger proportion of their income and resources on education than do parents with higher incomes. Yet, due to the

network of established interests, they remain excluded from exercising pressure to ensure an effective delivery of the promised services. The weak provision of public education thus cannot be ascribed to weak demand. Shifting the power to locate, plan, and monitor quality education into the hands of parents is essential for effective educational reform in Pakistan.

Public health faces similar institutional impediments. Rural health centers and basic health units are often not staffed, even though salaries are paid. The appointment of health care workers, like teachers, are often made to pay debts incurred while campaigning for office and/or to secure future political support. Marshalling substantial evidence, Akbar Zaidi has argued that the underlying flaw in public health care in Pakistan is its class bias.<sup>28</sup> The government allocates 80 percent of public health expenditure to urban areas. Only 18 percent of the country's hospital beds are found in rural areas where 70 percent of the population lives.<sup>29</sup> In rural Sindh, there is one doctor for every 57,000 people.<sup>30</sup> Health professionals are trained in government medical colleges to hone their professional skills in curative care and the ailments of the rich; while parasites, infections, and other easily preventable illnesses cause most of the deaths in the country. 250,000 persons die annually of tuberculosis in Sindh province alone; yet there is no coherent plan for treatment or control. Lack of facilities, low pay, poor management, and lack of social status dissuade even those doctors who would like to serve in rural areas.<sup>31</sup>

#### THE SOCIAL ACTION PROGRAM

The shortcomings of the SAP throw further light on the reasons for Pakistan's low level equilibrium trap in social investment. The Pakistan People's Party (PPP) government initiated the SAP in 1992, and the first phase was completed in July 1997. The program aims to make major advances in and create synergies between four social sectors: primary education, primary health, water supply and sanitation, and family planning. The financing of the SAP is largely external. The World Bank, Asian Development Bank, Government of Netherlands, and Overseas Development Agency of UK committed more than US\$ 4 billion to the program. The program was intended to increase financing for social services, to correct flaws in the delivery of these services, and to reform the institutions involved in social services.<sup>32</sup>

The failings of the SAP are well known. In most sectors, no comprehensive plans were devised. Thus, although education was stated to be a priority of the program, no clear policies on primary education were formulated. The SAP did assist provincial governments in formulating water policies, but did not prevent the diversion of water to homes of friends of members of the provincial assemblies. No clear policies were formulated for sanitation or for health. It is not clear how much of the SAP

was undertaken on the initiative of the government of Pakistan, and how much of it was promoted by the international donor community. It is clear that without major external financing, however, it would be unlikely to survive.

The SAP lacks community participation to counter the political consumption of human development expenditures. The participation of community-based organizations, such as parent-teacher and school management committees, was to be one of the essential institutional innovations of the SAP. Instead, 'community organizations' were created by government fiat and have been inactive or ineffective.<sup>33</sup>

The provision of social investments is highly politicized. Local politicians, members of the provincial assemblies and of the National Assembly occupy seats on district social action boards and in district development advisory committees. These politicians typically use their position to direct the funds handled by these committees to their political supporters. Ministries and departments related to the social sector are particularly vulnerable to misappropriation in part because the press pays greater attention to wrong-doing elsewhere in government.

The principal impediment to human investment is the dearth of structures that can monitor the use of public resources. The hierarchy of Pakistani officialdom prevents community-based organizations from forging productive relations with government agents. Some implementing agencies have experienced debilitating levels of interference from the provincial bureaucracy. The renewed harassment and arrests of journalists and newspaper editors – an effective deterrent to political abuses of development funds – further restricts public oversight as well as freedom of speech.

The institutional impediments to greater human development in Pakistan are to a large degree promoted and enabled by the state. State action in the adoption and implementation of development models and economic policies and administration of public education and health bear this out.

#### STATIST ORIGINS AND LEGACIES

Regardless of the government in power or its economic ideology, the Pakistani state has played a dominant role in economic development and in Pakistani society. A once stable and homogenous group of senior state managers were nurtured on the colonial pattern by the Pakistan Administrative Service. Civil servants held positions as governor general, president of the senate, and prime minister; and proclaim an ideology for Pakistan committed to its survival and to the state's exercise of effective authority. The government increasingly relied on a professional and technocratic approach to economic development, so that a significant feature of Ayub Khan's self-proclaimed 'development decade' of the 1960s was his reliance

not only on Pakistani economists who had been trained in the United States, but also US economists and advisors. As one senior Pakistani economist put it, '... to him [Ayub Khan] the economic profession has reasons for remaining profoundly grateful because of the honor he has conferred on it, and the responsiveness he has shown toward professional advice.'<sup>34</sup>

Pakistan's early economic development strategy was designed to engineer rapid economic growth and capital accumulation. Indeed, it was explicitly based on the doctrine of functional inequality, and viewed the concentration of capital not as a social danger but as a necessity for rapid growth. The centerpiece of its industrial strategy was investment in a public sector that would serve to develop the private sector – not a public sector based on an ideological commitment to state ownership in the collective interest, as in India. Capital concentration and economic inequality were central components of the strategy. Western economic advisors to the Pakistan government in the 1950s and 1960s argued that there was an unavoidable trade-off between 'development' (or economic growth) and equitable distribution. Pakistan planners believed that economic growth required the concentration of wealth.<sup>35</sup> In 1963 Mahbubul Haq, Chief Economist of the Planning Commission, underscoring Pakistan's 'need for a growth economy', summarized Pakistan's development challenge, in a manner he later regretted:

It would be tragic if policies appropriate to a Keynesian era were to be tried in countries still living in a Smithian or Ricardian world ... the best (and, perhaps, the only) form of social security is ... through the creation of sufficient capital by some. There exists, therefore, a functional justification for inequality of income ... The road to eventual equalities may inevitably lie through initial inequalities.<sup>36</sup>

As a result of this strategy, the state became increasingly dependent on foreign funds for development.<sup>37</sup> Private capital ownership became concentrated in the hands of a small group of industrial families.<sup>38</sup> Regional and economic disparities fostered their own tensions that eventually led to the break up of Pakistan.<sup>39</sup>

Opposing Ayub's strategy of economic development, his former foreign minister Zulfikar Ali Bhutto campaigned on a platform of Islamic socialism in 1969. Once in power, however, he exercised dictatorial powers and violence against workers and middle class opposition to control their protests in the midst of the severe economic crisis of the early 1970s. He also proceeded to nationalize a whole range of industries and firms, provoking the wrath of the business class. Bhutto's variety of inward-looking statism ended in July 1977 when his hand-picked Army Chief of Staff, General Zia ul Haq, took over power.

Interestingly, the intervention of the military in 1977 did not cause a turn away from the state-dominated pattern of economic development

which had characterized both Ayub Khan's and Bhutto's governments. Following the Soviet invasion of Afghanistan in December 1979, Pakistan became the front-line state opposing Soviet aggression and obtained billions of dollars in economic and military aid from the US. The Zia government also benefited from the export of unskilled and semi-skilled labor to the oil-producing Gulf states. Through the 1980s, remittances from Pakistani workers in the Gulf amounted to 6.5 percent of GNP,<sup>40</sup> peaking in 1984 at 8 percent.<sup>41</sup> The military diversified into an economic organization involved in the consumption, distribution, and production of various goods. Patronage between individual business people and elected officials and bureaucrats continued to drive economic performance, and the local bodies established by Zia strengthened local political leaders. The early 1980s saw the rise of a more politically-influential industrial and business class, especially in the Punjab. Yet, broader state-society relations remained attenuated by the arrest of political opponents, press censorship, intimidation of journalists, intolerance of public dissent, and manipulation of Islamic ideology to legitimize authoritarian ordinances and practices. Thus, the state continued to occupy the dominant role in society.

Pakistan's neo-classical economic ideology helps obscure that Pakistan's public sector, until the post-1988 structural adjustment measures, was very large. Until 1987-88, investment in the public sector constituted 57.9 percent of total investment.<sup>42</sup> Government-owned companies and firms existed in the automobile, banking, cement, chemicals, engineering, fertilizer, iron and steel, oil exploration and refining, and agricultural processing industries. The government held monopolies in telecommunications, power, railways, and air transport services.<sup>43</sup> The dismantling of the statist economic structure only began after General Zia's death in 1988 to avoid a serious balance of payments crisis.

A noteworthy pattern in Pakistan's economic adjustment program since 1988 has been the role of military-approved and appointed 'caretaker' governments as the signatories to IMF commitments to adjustment measures. The 1988 IMF structural adjustment program loan of US \$1.2 billion to Pakistan, which spurred adjustment, was negotiated and signed by the interim government of Ghulam Ishaq Khan. On two subsequent occasions again, in 1993 and 1996, it was interim governments of former World Bank vice president Moeen Qureshi and Meraj Khalid who arranged adjustment measures with the IMF. The subsequently elected governments of Benazir Bhutto and Nawaz Sharif respectively were forced to implement the measures negotiated.

Thus, in important ways, the return of elected representative regimes has not promoted greater political participation in the definition of economic policies or in their implementation. Instead, they have been constrained to implement the policies of liberalization of imports, cutting of fiscal deficits and government spending, widening the role of the private sector, reform of

pricing and tax policies, and the elimination of subsidies – placing them in a difficult position to gather popular support in the short and medium term. While the two PPP governments were more effective in controlling fiscal deficits, the high proportion of the budget that was siphoned off to cover interest on the public debt and spending on the military placed tight constraints on what any government could accomplish. The military, for instance, was scheduled to grow by over 8 percent and consume nearly 25 percent of central government expenditure in 1998-99. Rather, privatization has formed the mainstay of reforms under both the Pakistan Peoples Party (PPP) and Islami Jamhoori Ittehad (IJI) governments alike. It has allowed each government to finance deficit spending and to dispense public assets, especially the most profitable units, to political supporters.

### GOVERNMENT REVENUE

As revenue is only superficially rooted in domestic corporate or personal income taxation, the Pakistani state faces a fiscal crisis. While Pakistan is not on the verge of falling into the ranks of 'failed states', state capacity is in serious decline.<sup>44</sup> The state has not been able to establish an effective claim on public income. As state revenue is only superficially effective in taxing domestic corporate or personal income, it faces a severe fiscal crisis. The relationship between the government's ability to extract resources from society, approximated by effective taxation, and responsive governance, as gauged by government commitment to social infrastructure development, is unstable and based on flawed institutions. The proportion of government revenue derived from direct taxes, which approximates 14 percent of total government revenue, is among the lowest in the world, and is declining. In a country of more than 140 million people, there are fewer than 800,000 income taxpayers. Various regressive forms of taxation, such as retail taxes and trade taxes, are increasing along with non-tax revenue, which largely consist of proceeds from privatization.

Business-state relations show signs of deep instability. Higher levels of revenue require an increase in state capacity to collect direct taxes. This is possibly stifled by the poor legitimacy of the state's claim to operate in the public interest. Pakistan's Central Board of Revenue announced in April 1998 that it would identify 200,000 new tax payers that year. In response, newspaper editorials asked why the Pakistan citizens should pay for government expenditures that do not benefit them. Before the arrival of foreign heads of state and dignitaries, the business community resorts to strikes to compel the government to abandon plans to increase direct corporate taxation. As a result of public resistance, the pool of tax-payers has not increased.

However, the crisis facing Pakistan is not merely a fiscal problem. More seriously, the state suffers from a deep legitimation crisis. In effect, the

Pakistani state is not seen by its tax payers, both actual and potential, as capable of delivering public goods. Repeated ill-conceived attempts by governing parties to project their Islamic credentials indicate the low level of public support that exists for the Pakistani state, regardless of the party in power. Continuing a practice begun by Ziaul Haq, both PPP governments under Benazir Bhutto and IJI and Muslim League governments under Nawaz Sharif have sought to use religion, and to ostensibly promote religious practices to collect public resources. For purposes of distribution for social welfare, the government collects *zakat* (a donation to the deserving poor). The Zakat and Ushr (a tax on landed wealth) Ordinance of June 1980 permits the government to deduct 2.5 percent from bank deposits and stock market earnings. Thirty-two thousand local zakat committees distribute funds meant for Muslim widows, orphans, and disabled people (*mustabiqeen*).<sup>45</sup> Although one of the pillars of Islam is that Allah's generosity should be shared with the poor, the public widely resents being forced by the government to perform what should be a voluntary article of faith, and objects to the misappropriation and highly politicized use of the funds by the local zakat committees. This has led to mass withdrawals from savings account before zakat deductions are made before *Ramadan*.

The economy, however, faces more serious economic and social problems. These include a low and rapidly declining savings rate – 14.6 percent in 1995, down from 23.9 percent in 1985. It is also weighted down by the high illiteracy rate, which will not improve much with the next generation.

### THE ECONOMICS OF GOVERNANCE

Pakistan's ruling elite, divorced from the aspirations of the masses, is supremely indifferent to the provision of basic social services to the people. Without basic reforms in Pakistan's political and economic system, its prospects for economic and social progress appear somewhat clouded. Yet the question persists as to how and when such fundamental reforms will be engineered and who will engineer them.

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Governments that can generate significant revenues from external sources, such as from oil exports or from military allies, do not feel obligated to negotiate with the public for access to its wealth. During Ayub Khan's government as well as during the Soviet war in Afghanistan, when Pakistan received large amounts of foreign economic and military assistance, Pakistan took on some of the characteristics of a *rentier* state. The government was to a substantial degree relieved from negotiating with

significant social groups – consisting of the higher income groups, large land-holders and business classes – for access to public funds. The actual situation since 1988, in contrast, has been that the Pakistani state does not have the possibilities – other than the one based on labor remittances – of operating as a rentier economy based system of revenue. The state needs to generate greater domestic tax revenues which requires more public responsiveness.

State formation in the present international configuration involves not only the development of a near exclusive legitimate exercise of physical power over a territory, what Max Weber referred to as a 'monopoly over the legitimate use of physical force'.<sup>47</sup> State formation also requires the development of a stable revenue system to finance the machinery of the state. A critical challenge faced in the course of state formation and legitimacy creation is maintaining popular support even while it extracts revenue. There is little evidence that the Pakistani state has persuaded the Pakistani public that it should have access to its income. The reinstatement of electoral competition for public office may well have heightened the fiscal crisis.

Even though the state needs access to greater domestic revenue, potential taxpayers do not feel government programs are meaningful or effective for them. The tax-evading public in Pakistan is, thus, large and growing and shows little inclination to contribute to public finances. The poor provision of physical and social infrastructure and misuse of public funds does not inspire confidence in the revenue collection and distributive capacity of the state.

The impediments to human development in Pakistan are, thus, not merely economic, but political and social as well. Economic reforms would be more productive if they focused on building social infrastructure rather than reducing government expenditure and promoting industrial deregulation and trade. While government payments of interest on debts and expenditure on the military alone is greater than government revenue, human development expenditure has not merely been crowded out by such expenditure. Social institutions, such as community oversight bodies and medical associations, which might have a positive impact on the implementation of public policy, are missing. Indeed, there is a dearth of social institutions, such as public associations and community-based law enforcement, that can mediate between society and the state to permit an effective formulation and implementation of public policy.

Elections may have made less effective an already ineffective and graft-prone set of institutions related to human development. The involvement of politicians in the process of development administration, such as in the selection and retention of teachers or appointment of health practitioners, has not produced better performance in human development. Elected members of provincial assemblies often have even greater incentives than

insulated district officers to use education and public health funds for private gain, so that the institutions for development administration lack sufficient responsiveness to social need. If the Pakistani state is to extricate the country from its low level human development trap, the institutions of development administration will have to be reformed.

Pakistan is not in a state of regress – a condition in which governance and human development drag each other into a cycle of decline – but it is also very far from having replaced anti-developmental institutions with pro-developmental ones. Two great obstacles to higher levels of human development is the pervasive discrimination against girls and women as well as an unaccountable and unresponsive government. An analysis of the failures of the Social Action Program points to a critical need for greater decentralization and community management.<sup>48</sup> The structural adjustment measures initiated in 1988, which proponents revealingly refer to as policy reforms, are inadequate to Pakistan's development challenges. They do not aim to reform social and political institutions, but are merely intended to create greater macro-economic stability and micro-economic efficiency.

A poor human capital base and flawed institutions for the administration of human development promote a self-limiting state. The military admits that the greatest security threat is the prevailing climate of corruption and civil violence. Military expenditure is widely considered to be out of line with the country's security needs. The most significant threats to Pakistan's security as a united and sovereign state are thus not external but internal and exacerbated by government neglect of social sectors and flawed institutions for human development. Without reforming Pakistan's perverse institutions for human development and restructuring its expenditure, its overall performance in human development is unlikely to improve.

#### NOTES

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## PART IV

# SECURITY

# THE POST-COLONIAL STATES OF SOUTH ASIA

Democracy, Identity,  
Development and Security

Edited by

*Amita Shastri*

*and*

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To my father  
*Raghunath Sabai Gupta*  
With love  
(A.S.)

To the late  
*W. H. Morris-Jones*  
Teacher, scholar and friend  
(A.J.W.)