An Archival Analysis of Governance Crises in Pakistan

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Abstract
Since the independence, Pakistan has been facing political and economic catastrophe. For the purpose to achieve meaningful governance variations in the administrative structures were adopted from time to time. Various LG reforms were also initiated to inculcate leadership from grass root. It is the need of time that common men to be motivated and the appointment of people should be on merit to deal with all existing problems efficiently. Besides this a new culture of accountability should also be established in Pakistan. This article sheds light on the overall performance of government regimes in the history of Pakistan with a major focus on the economic ups and downs. It begins with the creation of Pakistan, and gradually discusses economic and administrative consequences of the decisions and policies of all the regimes. Pakistan's industrial growth, social development and political stability have remained a victim of rent-capturing of its elite and interest groups. This analysis is followed by a discussion of the utility of Local Government System in bringing about well being of the people and allowing a balanced economic growth that reduces inequalities of income as well as opportunity.

Keywords: Bureaucrat, Political Conflict, Governance, Councilors, Accountability

The Early Pakistan
On 14th August 1947, Pakistan arouse on world map, in an ailing condition, without its due share of funds and resources. The economy of Pakistan suffered badly due to the battle among elected democracy and autocratic dictatorship. In 1948, Khawaja Nazimuddin held the office of governor general after the sad demise of Quaid-e-Azam and later the charge of Prime Minister after the assassination of Liaquat Ali Khan in October 1951.

The year of 1953 started with an anti-Qadiyani movement in Lahore that resultant into the unconstitutional dismissal of the office of Prime Minister. Muhammad Ali Bogra, the Ambassador to the United States, occupied the office of the Prime Minister and tried to curtail the powers of Governor General through rapidly adopted amendments to the de facto Constitution, The Government of India Act 1935. The civil and military bureaucracy supported the governor general, Ghulam Mohammed and dissolved the assembly and formed new cabinet. However, Bogra remained ineffective, powerless Prime Minister; civil servant Iskandar Mirza became Interior Minister; General Mohammad Ayub Khan, the army commander, became minister of defense; and Choudhry Mohammad Ali, former head of the civil service, occupied the office of the Finance Minister.

The main objective of the new government was to end disruptive provincial politics and to provide the country with a new Constitution. According to the Constitution of 1956, national parliament was comprised of one house of 300 members with equal representation from both the west and east wings. The Punjab province consolidated their powers by combining all the four provinces of West Pakistan into one though provinces were not in the favor of this political hegemony. This incident also created hatred in the hearts of the people of East Pakistan. The one point agenda and strenuous efforts for provincial autonomy and due share of development funds for East Pakistan by the Prime Minister, H.S. Suharwardy, were not received well in West Pakistan. He lost his support when he used emergency powers to prevent Muslim League to form provincial government in West Pakistan. His thirteen months in the office of Prime Minister came to an end after he took a strong position against abrogation of the existing "One Unit" government for all of West Pakistan in favor of separate local governments for Sind, Punjab, Baluchistan, and the North-West Frontier Province.

Moreover, it is an admitted fact that the physical separation between East and West Pakistan makes the governance and coordination complicated. The consistent ascendancy of West Pakistan and provincial autonomy were the main ingredients that led the coalition between United Front coalition of Bengali regional parties anchored by Fazl-ul-Haq's Krishak Sramik Samajbadi Dal and the Awami League led by Hussain Shaheed Suhrawardy. The rift and mistrust exposed when Muslim League lost the provincial assembly election of 1954 in East Pakistan. However, Bengali factionalism surfaced soon after the election and the United Front fell apart. Till 1958 the Krishak Sramik and the Awami League waged a ceaseless battle for control of East Pakistan's provincial government.

The political havoc was ended in October 1958 with the declaration of first Martial Law in Pakistan. General Ayub Khan, the Commander-in-Chief of Pakistan Army was appointed as the Chief Martial Law Administrator, later he occupied the office of Prime Minister and President also. This political scenario annihilated every level of government and characterized as complete disruptive years in the political history of Pakistan. However, the growth rate of industry in Pakistan was amongst the most rapid during 1949 and 1958.
According to The Government of India Act 1935 industry was a provincial subject. In the end of 1947 an Industries Conference was convened and it was decided that 27 industries would be subject to central planning. Later, in the budget of March 1948, tax concessions were given to new industrial undertakings and foreign investors to be encouraged. Depreciation allowances reduced and investment in certain specified industries was exempted from estate duty. The official committee appointed by government of Pakistan identified that that foreign investment since partition had been directed into financial and commercial concerns rather than into industry. To facilitate foreign and local investors and achieve industrial growth Pakistan Industrial Finance Corporation (PIFC) was established. The fiscal policy of the government was re orientated to provide incentives to promotion of industry. Under the stimuli of government encouragement, tax concessions, tariff protection reinforced by import licensing, and provision of credit facilities, private industry continued to grow steadily. Moreover, Pakistan became the sole supplier of jute to the rest of the world in 1950 when India ceased its export of raw Jute.

In 1953 considering the Korean boom Pakistan had introduced a policy framework to persuade the profit of jute and raw cotton into the manufacturing sector through a variety of protection measures during the 1950s (Shahid Javed Burki, 2004). This control of imports, especially on consumer goods give boost to industry. Pakistan significantly benefitted from it and it result into the increased GDP at a whooping rate of 9.4% (Aijaz Rasheed, 2010). The worldwide recession occurred after the end of Korean War. Hence Pakistan was the sole exporter of Jute so its conditions didn’t get worse and maintained an average GDP of 3% till 1958 (Gulraiz Hanif, 2009).

Factual study claimed that 8 million refugees were migrated from India but government expenditure on defense overshadowed everything else. As a result the country experienced inflation at home and the financial difficulties proved insoluble.¹

Moreover, the interesting phenomenon was that the Hindu and Sikh evacuees from Pakistan were largely urbanized communities engaged in trade, banking and finance on the contrary the Muslim refugees from India were predominantly agriculturists and artisans. According to the first census in 1951 the population of Pakistan was 76 million out of which only 22 million was civilian labor force. 17 million were engaged in agriculture which is excess in relation to the amount of land available for example, in East Pakistan 9.5 million cultivators have on an average only 2.18 acres of crop land. And of the remaining 5 million populations, not more than 950,000 workers were employed in factories, plantations, transport and mining. These figures depict low industrial development and high proportion of dependent population. The agricultural conditions in both East and West Pakistan were different with respect to available land and climate. However, in 1955 the currency of Pakistan was devalued with the hope to improve the agriculture sector particularly. It was maintained that Pakistan had reached a level of production when it was safe to alter the exchange-rate without fear of serious inflation. The immediate reaction was, nevertheless, a substantial rise in prices but one can conclude that Pakistan did not grow well in her determinate early years and no noteworthy economic development took place in this time frame.

**Flourishing & Auspicious Sixties**

History claims that the regime of General Ayub was appreciated by the people of Pakistan and was even supported by international politics. The ten years of General Ayub undoubtedly made headways by leaps and bounds. His effective, well maintained, realistic and attainable economic management reforms like provision of subsidies and tariff protection to industry and an elite farmer strategy in agriculture brought drastic changes. His eleven years has averaged 5.82% growth rate but tax collection was averaging less than 10% of GDP. Industrial growth was average of 8.51%.

The second Five Year Plan (1960-65) encouraged businessmen to participate in profit making enterprises while the government acted in those sectors where these entrepreneurs were reluctant to operate. Moreover, the import substitution policy in consumer goods was operated to provide by wide range of protection measures for domestic manufacturers. Indirect subsidies such as the Bonus Voucher Scheme ² combined with the overvalued exchange rate, enabled domestic manufacturers to earn large profits on exports that brought no gain to the economy in terms of foreign exchange (Soligo, and J.J. Stern, 1965). However, generous infusions of foreign aid were the main feature of all economic growth during this era which was declined after Indo-Pakistani War over Kashmir. As a result, the Third Five-Year Plan (1965-70)

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¹ Economic survey was written by H.A. Alavi, former Secretary, State Bank of Pakistan, and appeared in The British Commonwealth 1956 published by Europa Publications Limited, London (1956). See the Synopsis of Subjects on the left for other items on Pakistan from The British Commonwealth 1956.

² The Bonus Voucher Scheme enabled exports of certain manufactured goods to receive in addition to the rupee revenue of their exports, bonus vouchers equivalent to a specified percentage of the foreign exchange earned. The vouchers could be sold in the market (to potential importers) for a price usually 150 to 180 percent above the face value. Thus the exporter not only earned the rupee revenues from exports but also an additional premium through sale of the bonus vouchers.
produced modest growth (Aijaz Rasheed, 2010)

It has been estimated that 15% of the resources generated were transferred to the urban industrialists from rural areas whereas 63 to 85 percent of these transferred resources used into urban consumption. However, domestic savings rate was increased to 25%, the actual savings rate never rose above 12%. Ayub Khan period can be divided into two; before and after India Pakistan war (Economic Survey, 1974)

<table>
<thead>
<tr>
<th>Gross Foreign aid in Million</th>
<th>1950-55</th>
<th>1965-70</th>
</tr>
</thead>
<tbody>
<tr>
<td>US $ 373</td>
<td></td>
<td>US $ 2,701</td>
</tr>
<tr>
<td>Average GDP</td>
<td>5.73%</td>
<td>9.21%</td>
</tr>
<tr>
<td>Grant Type</td>
<td>73% of total foreign aid</td>
<td>9% of total foreign aid</td>
</tr>
</tbody>
</table>

Olson (1991) studied that a dictator’s commitment is not credible. Ayub Khan took an initiative to construct Jute mills in East Pakistan, but industrialization proceeded slowly. In 1960s, petroleum-based synthetics entered the market, competing with jute for practically all of its uses. The upheavals culminating in the emergence of independent Bangladesh drove many traditional buyers of jute to shift to synthetics. However, Ayub Khan discriminatory policy continued as he forced East Pakistan to pay tariffs on its products to access East Pakistani markets. Moreover, PICIC (Pakistan Industrial Credit and Investment Corporation) was the agency responsible for sanctioning large-scale industrial projects. Out of the twenty one directors of PICIC, seven were from the forty three leading industrial families and were actively involved in the public sector financial institutions that directly affected their private economic interests. Economic disparities widened not only between East and West Pakistan, but also between the provinces within West Pakistan (Akmal Hussain, 2006).

One can summarize that the military regime succeed in putting an end to prolonged crisis, where the elected regimes had failed. State which was under constraint turbulence in its early years were started to progress rapidly during Ayub era. Economic reforms marked by increased GDP, industrial revolutionary growth and boost in agricultural sector. In these progressive ten years, Pakistan’s exports went higher than the other countries of the region. Special emphasis was laid down on the improvement of governance by designing and implementing workable administrative policies. General Ayub Khan also introduced four tiered hierarchical system of local bodies controlled by bureaucracy to provide his unconstitutional regime a cover of democracy. However, legislative divide was maintained between urban areas, which were governed through the Municipal Administration Ordinance, 1960 and the 389 rural areas governed by the Basic Democracies Ordinance, 1959 (Cheema,A., A. I. Khwaja and A. Qadir., 2005). His Basic Democrats served as Electoral College for his presidential election but failed to deliver in its true spirit. History characterized this system was the actual reason of his downfall. He lost the trust and support of people. Thus, General Yahya Khan imposed Martial Law in 1970.

**Bhutto: The Savior**

The tension between East and West Pakistan and the conspiracy of Indian Army was result into the establishment of ‘Bangladesh’ in 1971. This incidence adversely affected the economic growth and image of Pakistan on the world map. Moreover, the policies by Zulfiqar Ali Bhutto did not showed the desired results and further damage the economy of Pakistan.

One of his most important initiatives was the nationalization of 43 large industrial units. This policy trickled the GDP to 4.8% in 1973 as compared to 8.2% between 1960 to1972. Apart from nationalization of heavy industries; devaluation of exchange rate; reduction in subsidies; reduced import duties on finished goods; and anti-monopoly measures along with price controls were instituted, shook the confidence of the private sector and consequential into the declining investment. Defence and public administration were the fastest growing sectors of the economy i.e. 11.4% while the commodity producing sector was growing at only 2.21%. Lateral entry was introduced to welcome new loyalist from outside in upper and middle echelons of bureaucracy and expenditure in defence expanded and reached to 6.7% in 1974-75 (Hafiz Pasha, 1999). But all these initiatives did not turned out in the favor of economic, social and political growth of Pakistan.

Ideologically, Bhutto was in favor of Socialist economy but he failed to keep his promise with the nation to provide social equalities through local government elections. This deprivation faded the growing economy of Pakistan, which was witnessed during Ayub period. Consequently, Pakistan was left far behind and tangled into declining growth rate, high inflation and poor social justice. This situation paved the way to another coup d’état in the country particularly in the name of Islam and true democracy.

**Martial Law of General Zia-ul-Haq**

The period of General Zia is characterized with a distinct feature of Islamization. He used religion, which is

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highly sensitive to all, as a tool to justify his unconstitutional takeover of power and legitimize his policies. He put all his efforts in making Pakistan Penal Code in accordance with the injunctions of Quran and Sunnah. Hudood Ordinance and Anti-Ahmadiya Act are very famous amongst his constitutional religious struggle.

He had an opinion that all ethnic and linguistic tendencies could be dealt by implementing Islamic laws. According to an official report of the police department, 42% madrasas in the Punjab alone were actively promoting sectarian violence through a well conceived indoctrination process. It was reported that number of sectarian killings increased from 22 during the period 1987-89, to 166 during the period 1993-95 in the Punjab (Zia ul Hassan Khan, 1995).

The GDP of Pakistan was only US $15 billion in 1977. Agricultural growth increased to 4 per cent per annum and played an important role in accelerating the GDP growth. Analysis shows that many factors contributed to this. Agriculture production was badly affected by poor weather conditions during Bhutto period. After 1976, the additional water availability of nearly 10 million acres feet from Tarbela Dam augmented water supply by more than 10 per cent. However, the workers' remittances boom from $2-3 billion did not translate into higher rates of national savings and investments. Most of the remittances were directed to consumption only like economic expansion and support to the balance of payments.

In the domain of foreign affairs his policy was to support militant groups of Afghan against the Soviets to seek economic assistance from United States. On the same ground he justified the increased military expenditure. Moreover, he also increased the salaries and privileges of the armed forces that eventually supported his regime. Combined with an increase in debt burden and increasing interest, the outlay on development was squeezed. This militarisation of the economy disturbed the balance between defence and public sector development outlay. During the Zia era the interest payments from the government budget increased eight times (Rs. 4 billion to Rs. 32 billion).

Table 1: Pakistan: Growth Rates (per cent per annum)

<table>
<thead>
<tr>
<th></th>
<th>1977-83</th>
<th>1983-8</th>
<th>1977-88</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>4.2</td>
<td>3.5</td>
<td>3.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.2</td>
<td>8.2</td>
<td>9.2</td>
</tr>
<tr>
<td>Other</td>
<td>8.5</td>
<td>7.0</td>
<td>7.9</td>
</tr>
<tr>
<td>GDP at factor cost</td>
<td>6.7</td>
<td>6.2</td>
<td>6.6</td>
</tr>
<tr>
<td>GNP at factor cost</td>
<td>7.6</td>
<td>4.9</td>
<td>6.4</td>
</tr>
<tr>
<td>GNP per capita</td>
<td>4.4</td>
<td>1.9</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: Economic Survey, Government of Pakistan, various

General Zia had a very uncommon mindset. He banned all political parties and restricted their roles in local governments only. Elections for local governments were contested on non-party basis in all four provinces during 1979 and 1980. His local bodies persisted with the rural-urban divide, which meant that the urban councils did not need to share the benefits from this increase in their per capita incomes with their rural hinterland (Cheema, A., A. I. Khwaja and A. Qadir, 2005).

One can conclude that the regime of General Zia which spread over a decade cultivated drug culture, religious extremism, militancy in Madrassah and smuggling of goods in Pakistan. Present religious extremism in the country is also the outcome of Zia’s Islamization policies. As far as the economy was concerned, it did improve – the GDP rate increased, agriculture and manufacturing sectors also showed growth. But in spite of this all economic progress Pakistan took financial assistance from International Monetary Fund to make up the annual fiscal deficit in 1988.

Political Turbulence of 90’s

This phenomenon is generally accepted that political parties are responsible to develop and organize public opinion and formulates public policies. Moreover, the charismatic leadership of political party can play a dominant role in generating mass consensus. But unfortunately the subsequent elected governments of PPP and PML-N unable to perform this role in the main stream politics.

During ‘Nineties’ Pakistan witnessed four interim and four elected governments with a complete suspension of local bodies during 1993 to 1998 which dribbled the economy into deep fiscal crisis. This political turbulence had far-reaching negative impact on economic growth of Pakistan. The major failure was observed
when the local and foreign investors lost their confidence as the foreign currency deposits of Pakistan were frozen. GDP, agriculture, industries and investments all showed deceleration from 1990 to 1998. The deficit continued and reached a new peak of 8.7 per cent in 1990-91 despite the disbursement of $900 million by the IMF. Pakistan negotiated a new agreement with IMF and agreed to reduce the fiscal deficit to 4 per cent in 1994-95 and 3 per cent in 1995-96. However, Pakistan could achieve a deficit of 5.8 per cent in 1994-95.

Pakistan’s exports were stagnant during the 1990-95 periods at about $6.5 billion and rose to $8.2 billion in 1995-96 and again declined to $6.4 billion by 1999-2000. Similarly, imports rose from $7.6 billion in 1990 to about $12 billion in 1996-97 to decline to $8 billion in 2000. Pakistan faced sanctions from western countries due to nuclear bomb testing in 1998. However, Pakistan approached the IMF for the structural adjustment facility. Under pressure from the IMF the elected governments imposed raised taxes during the 1991 to 1998 period but the tax revenue did not increase due to bad governance.

The subsequent civil governments were also unable to restore the balance between military and development expenditures that was upset during the Zia years. Poverty was 17 per cent in 1988 which increased to a doubling of the head count ratio to 33 per cent in 1999. By the end of so called democratic regime in 1999 Pakistan was confronted with some big challenges such as;

- Poverty
- Unemployment
- External and internal indebtedness

This gives justification to General Musharraf to join the American campaign in Afghanistan. ‘Aid’ from international agencies like the World Bank and IMF Asian Development Bank, World Bank and the governments of Japan and United States were resumed. And once again Pakistan became one of the four fastest growing economies in the Asian region during 2000-07 with its growth averaging 7.0 per cent per year for most of this period. As a result of strong economic growth, Pakistan succeeded in reducing poverty by one-half, raising foreign exchange reserves to a comfortable position and propping the country’s exchange rate, restoring investors’ confidence and most importantly, taking Pakistan out of the IMF Program.

General Musharraff successfully conducted two local government elections and two general elections during his ten years tenure. Later, he was succeeded by the elected government of PPP in 2008 marked with the assassination of Benazir Bhutto during election campaign in Rawalpindi. Asif Ali Zardari assumed the office of President of Pakistan. Highlights of the regimes are;

- This regime devolved certain subjects to provinces under 18th Amendment in the Constitution of Pakistan
- The Successful NFC Award is the biggest achievement of this regime.
- It is recommended that cabinets should be small and more technocratic, where possible. Even the coalition partners of this regime criticize the large size of the cabinet.
- The step towards local democracy was achieved with the promulgation of Peoples’ Local Government Ordinances

However, in five years of democracy Pakistan passed through a gigantic governance crisis. Government failed to address issues of a common man. Moreover, non-cooperative bureaucratic structure worsens the condition. The much needed local governments stayed in abeyance and the overall performance of the government in economic as well as social developmental aspects remained low. Many democratic forces come forward to solve issues of Pakistan with their own agenda in 2013. PML-N took the lead and Mamnoon Hussain became the President and Nawaz Shariff elected as Prime Minister for the next four years.

Local Governments for better Economic Governance

The local government is instituted with the purpose to nurture the leadership at grass root level and also made effective provision of goods and services to the masses. Moreover, these local governments can be instrument for good governance when the country is in the real state of socio-economic and political turmoil and setbacks. Regime wise statistical analysis\(^1\) revealed that there was increased GDP growth and improvement in agricultural and industrial sectors in the period of military regimes which runs under the cover of local government and in democratic regimes no such development took place.

The data on these variables ranging from 1956 to 2000 has been obtained from State Bank of Pakistan while the data of the last two regimes have been obtained from Economic Survey of Pakistan (2009-10) and (2012-13). Looking over the facts and figures, the growth rate distribution pattern of the study variables (agriculture, industrial, services and GDP growth rates) is uniform in different regimes of Pakistan. There were no severe ups and downs and big push in these variables regime-wise. However in recent past it can be seen that growth rate has considerably declined in the last democratic regime.

Table 1

<table>
<thead>
<tr>
<th>Regime</th>
<th>GDP GROWTH RATE</th>
<th>SERVICES</th>
<th>AGRICULTURE</th>
<th>INDUSTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iskandar Mirza</td>
<td>3.0</td>
<td>2.6</td>
<td>2.1</td>
<td>7.3</td>
</tr>
<tr>
<td>Ayub Khan</td>
<td>5.8</td>
<td>6.3</td>
<td>4.1</td>
<td>9.1</td>
</tr>
<tr>
<td>Yahya Khan</td>
<td>5.8</td>
<td>5.06</td>
<td>3.6</td>
<td>11.2</td>
</tr>
<tr>
<td>Z. A. Bhutto</td>
<td>4.55</td>
<td>6.55</td>
<td>2.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Fazal Iftih Chaudhry</td>
<td>5.04</td>
<td>7.0</td>
<td>2.38</td>
<td>5.5</td>
</tr>
<tr>
<td>Ziaul Haq</td>
<td>6.49</td>
<td>7.0</td>
<td>4.05</td>
<td>8.4</td>
</tr>
<tr>
<td>Ghulam Ishaq Khan</td>
<td>5.0</td>
<td>4.98</td>
<td>3.82</td>
<td>6.2</td>
</tr>
<tr>
<td>Farooq Leghari</td>
<td>4.2</td>
<td>4.4</td>
<td>5.9</td>
<td>2.4</td>
</tr>
<tr>
<td>Rafiq Tarar</td>
<td>3.9</td>
<td>3.6</td>
<td>4.16</td>
<td>4.1</td>
</tr>
<tr>
<td>Parvez Musharraf</td>
<td>5.5</td>
<td>5.84</td>
<td>3.04</td>
<td>7.4</td>
</tr>
<tr>
<td>Asif Ali Zardari (2012-2013)</td>
<td>4.4</td>
<td>3.7</td>
<td>3.5</td>
<td>3.5</td>
</tr>
</tbody>
</table>

The analysis of growth rates in different regimes of Pakistan: distribution and forecasting by Anwar Hussain & Naila Nazir. Journal of Managerial Sciences Volume VII Number 1 Qurtaba university of science and IT Pakistan

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is observed that the impact of Local Governments has been positive. It is necessary that under the 18th amendment the process of reforms should be carried further. The 18th Amendment is well intentioned in its aim to bring greater clarity to the roles and responsibilities of various orders of government, and to ensure greater provincial autonomy to reduce incentives for military interventions in the political system. However, the amendment must be seen as only the first and incomplete step toward reforming public governance in Pakistan. To complete this process, further fundamental reforms are needed to ensure that the public sector serves the public interest. Important first steps in this direction would include the devolution of most provincial powers, to local governments.

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