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Bureaucracy and Pro-poor Change

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PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

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Acknowledgements: This paper was prepared as part of the “Pakistan Drivers of Pro-poor Change”, a study conducted by the Institute of Development Studies, Sussex, and the Collective for Social Science Research, Karachi, for the Department for International Development, UK. The authors are indebted to Haris Gazdar, Mark Robinson, and participants of the DFID workshop on pro-poor change in Pakistan for their comments and insights that have helped in shaping this paper. The authors are also grateful to Irfan Khan for research assistance.

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Economics, 2006.**

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INTRODUCTION

Based on the premise that a functioning state is a necessary pre-requisite for pro-poor change, it is critical to investigate the role of the bureaucracy as a key catalyst in this process. Weber (1968) ascribes bureaucracies to be anchors of the modern nation state as their conduct is based on rational-legal norms. Bureaucracies, according to this ideal type, temper the populist urges of politicians who wish to execute policy unencumbered by rules and procedures. State success or failure in many cases, therefore, can be gauged by the degree to which this tension—between the rules based bureaucratic form of administration and populist politics—is resolved. Prognosis on pro-poor change in the light of the present and anticipated balance between bureaucratic procedures and political compulsions is thus an important area of inquiry.

There is consensus that the disconnect between policy formulation and execution in Pakistan has widened considerably in the last three decades or so. And this is in spite of the fact of the generally acclaimed view that Pakistan inherited a well functioning and competent bureaucracy from the British Raj [Braibanti (1966)]. While part of the blame for this disconnect can be ascribed to incoherence in policy formulation on the part of the political leadership—both civil and military—but bureaucratic malfeasance, incompetence and corruption have been critical factors in the level of governance declining over time.

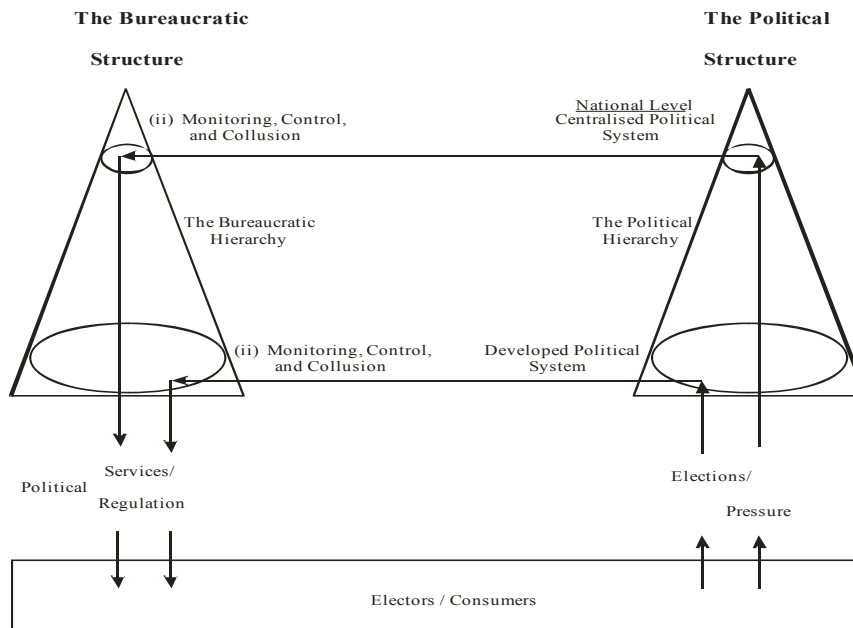
This paper takes a political economy perspective in analysing the nature and causes on the decline in bureaucratic conduct. Section 1 lays out the details of this structure. Based on a logical model which places the bureaucracy within the larger context of the objective function of the state, the nature of the political process, the degree of centralisation and fragmentation of the bureaucratic structure and processes for monitoring and accountability of the bureaucracy, this model provides the basis for subsequent analysis. Section 2 provides a historical overview with regard to changes in the bureaucratic and political structure and the impact it had on the above mentioned balance between bureaucratic conduct and political compulsions. Section 3 then analyses the consequences on service delivery that this systematic weakening of the bureaucratic structure has had. Section 4 then critically assesses some of the recent attempts at bureaucratic reform in the light of the framework developed in Section 1. The conclusion then summarises the paper and draws implications for pro-poor change of the structure and conduct of the bureaucratic structure in Pakistan.

1. A FRAMEWORK FOR ANALYSING THE BUREAUCRATIC STRUCTURES AND DEVELOPMENT

In order to understand how bureaucratic structures impact development the relationship between politicians, bureaucrats and the public needs to be analysed in specific historic contexts [Khan (2002)]. A number of conditions of success can be identified by drawing on analytical models that schematically describe the relationship between the three protagonists. We draw on the framework provided by Khan (2001) in order to provide benchmark conditions against which the development of the Pakistani bureaucracy is assessed in subsequent sections.

Khan (2001) argues that the relationships between these three agents is interlocked and is briefly summarised in the following schematic diagram. As displayed in Figure 1, the electorate or the citizenry is the consumer of government services; the politicians or political power-holders translate the electorate's demands into policy; and the bureaucrats are the agents responsible for service delivery and regulation. The efficient functioning of this system or effective bureaucratic governance depends upon the following conditions:

Fig. 1.



(a) Clarity about the Pursuit of Objectives

Policy objectives of the state are defined by political processes, as well as ideologies that permeate state structures at given points in time. Demand creation through the political process combined with these ideologies determine the remit and functions of the state in specific historical contexts. The range of activities that states have pursued have differed both within the same states over time and across states. Despite the significant historical variation in objectives and ideologies across states that are observed in history the success of states at delivering ‘developmental successes’ at a minimum depends upon: (i) the clarity about the functions and objectives states have to perform, and (ii) the extent to which the chosen functions and objectives correspond to a given set of outcomes sought. Clarity about and choice of specific functions and objectives is important as it defines the role that that bureaucracy is expected to play and that is clearly a starting point of any analysis of civil service development. These conditions are irrespective of the *nature* of the state sought at this level of analysis.¹

(b) The Efficacy of the Political Process

The arrows between the public and the politicians in Figure 1 capture the *necessity* of having efficient political processes that communicate the objectives of the electorate to political representatives. The efficacy of this channel depends upon how effective these processes are in communicating the real interests of the electorate and to what extent is effective demand creation controlled by sectional interests or broad-based coalitions. The efficacy of demand creation mechanisms is also dependent on the structure of the state: with authoritarian regimes by definition being more exclusive in who they respond to and being less accountable to the general public. Therefore, the success of this process under authoritarian regimes is contingent upon the class or group basis of authoritarian regimes, which in turn will be determined by the specific historical context. Democratic structures too are not always sufficient to ensure the representation of common public interests because they can be captured by political clientelist coalitions where politicians deliver privileges to special interest groups who control the electoral process both financially and organisationally [Khan (2001)].

Furthermore, the ‘developmental effectiveness’ of the political process is contingent upon how consolidated or fragmented political party collectivities are

¹Whether it is a fascist, predatory, developmental, or religiously denominated state does not matter. All that matters is that it is a well-functioning state in the sense that the bureaucracy remains within the parameters of politically adopted policy guidelines, whatever the set of rules and policies that have been prescribed by the political leadership.

in particular contexts. Fragmented and unstable political coalitions will result in each politician trying to maximise his short-term payoff even if this comes at the expense of long-term social gains [Cheema (2003); Ackerman (1996)]. Therefore, the success of this process is contingent upon the extent to which democratic regimes are responsive to broad-based coalitions as opposed to sectional clientelist interests and the extent to which individual politicians can be made to develop long time horizons through cohesive party collectivities. The crux of the issue is that political processes and structures should not inhibit the functioning of the state and its capacity to deliver services.

(c) Efficient Bureaucratic Monitoring and Accountability

This condition is extremely important in its own right because even if political processes and state ideology result in the selection of 'pro-poor' goals and policies the transformation of these goals into delivery is clearly contingent upon: (i) how effectively politicians or authoritarian managers of the state can monitor and sanction bureaucrats, and (ii) the extent to which bureaucratic incentives are compatible with the goals established by the political managers of the state. Incentive compatibility requires among other things the 'right' monetary compensation structure. Higher salaries are theoretically expected to lower corruption because they increase the opportunity cost of corruption. It is, however, well established that this result is contingent upon there being a positive probability of a non-performing bureaucrat being detected and effectively penalised [Klitgaard (1988)]. It is well-established that high salaries as an incentive mechanism, break down if the probability of being caught or being effectively sanctioned when caught is very low [Besley and McLaren (1993)]. Again, this means that the 'developmental success' of bureaucratic service delivery is contingent upon the ease of measuring the performance of bureaucrats as well as the cost of sanctioning the non-performance and *mala fide* acts of bureaucrats.

(d) The Degree of Insulation of the Bureaucracy

Independence or autonomy of the bureaucracy is protected through the establishment of well-defined rules, meritocratic recruitment mechanisms and non-politicised and predictable long-term career paths. In fact, the creation and maintenance of a Weberian bureaucracy is contingent upon the extent to which these well-defined rules and procedures can be created and the degree to which they insulate the bureaucratic structure from political interference [Weber (1968)]. In addition, the existence of a Weberian bureaucracy is contingent upon its internal cohesiveness. Internal cohesiveness in turn can be achieved through well-defined informal

networks within the bureaucracy² and/or through a well-defined and cohesive cadre system. In short, the degree of insulation of the bureaucracy can be judged by the extent to which particular bureaucratic structures can be classified as possessing well or weakly defined rules of protection, recruitment, promotion and appointments.

However, the important question with regard to bureaucratic insulation is the extent to which insulated/autonomous bureaucracies are ‘necessary’ for the creation of a functional state. The judgment on this issue is not straightforward and depends upon the type of organisation in both the political sphere and the bureaucracy as well as the nature of the interaction between these two spheres. If the political process is prone to capture by sectional interests, is clientelist and/or its ideology is non-developmental, then well-defined bureaucratic procedures and insulated bureaucracies may paradoxically sometimes ensure better delivery of services and may emerge as effective checks on clientelist policy choices. However, in the opposite case where the political process is compatible with ‘developmental objectives’ the politicians’ control over the bureaucracy may be an important condition for ‘developmental success’ as it allows politicians to hold bureaucrats accountable and also to change rules and procedures in order to ensure their functionality with the process of development.

(e) The Degree of Bureaucratic Centralisation and Fragmentation

Theoretically it is now well-established that centralised state structures (hierarchical and well-knit structures) are more efficient and less prone to corruption than fragmented state structures³ [Shleifer and Vishny (1993)]. It is argued that in fragmented state structures supplying complementary goods creates a ‘prisoners dilemma’ like situation as each agency maximises its own bribes, while taking the quantity of goods/services supplied by others as a given. The outcome is inefficient in the case of a fragmented state as the bribe set by each agency is too high and the total amount of goods/services provided is too low from society’s viewpoint. A centralised state is more efficient as it increases supply, in order to maximise total profits (by internalising the inter-agency price externality), which in turn makes society better off. However, as Khan (2000) and Evans (1989) show, even fragmented states can be efficient if agencies coordinate actions in a repeated game. This will happen if the following conditions are met: (a) if payoffs from coordination are large compared to the payoffs from non-coordination; (b) the time discount of officials is sufficiently low; and (c) agencies are not involved in protracted

²For example, because the bureaucrats share the old school tie or are from the same class.

³Fragmented state structures are defined as structures where independent agencies attempt to maximise their individual proceeds from corruption.

conflicts over the division of the spoils [Khan (2000)]. However, Ackerman (1996) and Cheema (2003) show that the time horizons of bureaucrats or agencies is in part a result of the vulnerability of bureaucrats and agency heads, which in turn will depend on the degree to which they are susceptible to political interference. Excessive political interference will result in reducing the time horizons of bureaucrats, which among other things will increase the incentives for bureaucrats to defect from collective arrangements and the resulting fragmentation of the state structure is expected to reduce efficiency.

Both the nature of political processes as well as the interaction between the politicians and the bureaucracy has undergone change in Pakistan over time. This has meant that all the above criteria to analyse and judge bureaucratic performance have become relevant in our case. A historical overview will thus help in understanding the process and nature of change that the balance between political imperatives and rules based bureaucratic conduct has undergone.

2. A HISTORICAL OVERVIEW OF BUREAUCRATIC CONDUCT IN PAKISTAN

Pakistan's apex bureaucratic structure was inherited from the colonial administrative system whose principal purpose was administrative control to stabilise and promote the imperatives of colonialism.⁴ The cadre-based system that Pakistan's bureaucracy inherited was the legacy of the Indian Civil Service (ICS) that stood at the apex of the colonial administrative machinery.⁵ Below the ICS were provincial-level services, and at the bottom of the hierarchy was the subordinate civil service. This structure came to be known as the All India Civil Service. Recruits from the ICS served in the central government and on important positions in the provinces also. Much of the provincial service cadre only served in the province. However, there was some mobility of exceptional officers to other provinces or to the centre.⁶

It was not until 1879 that 'natives' were inducted into the upper echelons of the bureaucratic service.⁷ After the formation of the All India Civil Service,

⁴The principal task for this purpose was to repress indigenous political demands for self-rule as well as resource appropriation from the colony.

⁵The Indian Civil Service was established as a result of the administrative reforms recommended by the Aitchison Commission in 1887. Prior to the Aitchison Commission, the colonial administrative machinery operated under the East India Company Act, 1793, under which 'covenanted' (employed on individual specific contracts) British officers formed the apex of the bureaucratic hierarchy. [See Kennedy (1987), Chapter 2, for details].

⁶For details of the pre-partition bureaucratic structure in British India, see Kennedy (1987, ch. 2).

⁷This was first done under the 'statutory civil service' structure, constituted in 1870 (but implemented only in 1879) and dissolved in 1887. In this period, one-sixth of the 'covenanted' positions were to be reserved for Indians and a total of 69 officers were recruited between 1879 and 1887.

almost the entire cadre of the provincial service consisted of Indians. The induction of natives in the ICS gradually increased between 1887 and 1947. Unlike in the past, Indians were not barred from the ICS formally, but rigid recruitment rules based on criteria that were designed exclusively for British civil servants meant that significant entry barriers for the local population remained.⁸

The establishment of a ‘native’ bureaucracy, however, did not mean that Indianisation in content and interests happened. According to Zafarullah, *et al.* (1997),

... Indianisation of the central civil service remained far from being fully achieved. The bureaucracy continued to be closed to the majority, élitist in education and training, and articulative of the interests of the English aristocracy.

Because of the Imperial control over politics, the bureaucracy operated in a context of virtually complete domestic insularity. Countervailing institutions usually operational in an independent state such as a legislature, interest groups or local government—“existed only in an attenuated form”. [Kennedy (1987), p. 4.] As a result, the bureaucracy did not face any political compulsions for accommodation of the public interest as such and was also insulated from domestic political pressures.

The Immediate Post-Independence Period: 1947–58

Regardless of its imperial character, by the time the British departed in 1947, India and Pakistan inherited one of the most developed civil service systems in the world. The transition from personalised rule to a state and thence to a public and protected service was complete, at least in form if not in substance. Specifically in the case of Pakistan, political power in the initial years was fragile because of the very nature of the state carved out of British India.⁹ This logically meant that the non-elected arms of the state became dominant players. The institutional ascendancy of the bureaucracy—especially when compared with India—with regard to the rest of the state structure was further strengthened by the political leadership of the time. According to Sayeed (1980:

⁸Subsequent reforms, based on recommendations of the Islington Commission in 1917 and the Lee Commission in 1924, further facilitated the induction of the locals in the bureaucratic structure. Kennedy (1987, p. 12) states that these recommendations had “only a marginal effect” on the structure of the bureaucracy.

⁹The political party that led the demand for Pakistan had minimal representation in the western wing of the country. Moreover, as Jalal (1990) states, the non-elected arms of the state—the bureaucracy and the military—had their institutional structure intact after Partition whereas the elected arms suffered a major disruption.

26) soon after partition, a number of bureaucrats—many of them still Britishers—complained to the leadership about political interference from ministers. According to Sayeed (*op. cit.*):

Jinnah could have drawn from this two conclusions: one, to place the politicians under bureaucratic tutelage; and two, to improve the [Muslim League] party machinery to eliminate some of the factions and accommodate others. He [Jinnah] was after all a dying man and could think of only immediate short term remedies. In settling for the first alternative, he not only took care of the immediate problems but laid the foundations for future actions and policies of his successor governments that outdid him in establishing bureaucratic control over politicians.

Political instability in the 1947–58 decade further contributed to the ascendancy of the bureaucracy *vis-à-vis* the politicians. In terms of the criteria mentioned above, the bureaucratic structure was centralised, it was insulated, there was some level of internal accountability but political and/or judicial accountability was minimal. Lack of clear objectives about running of the state from the political leadership enabled the bureaucracy to determine its own agenda. Given its imperial training and ethos, its mode of administration remained colonial—at least so far as political representation was concerned.

Although there was a developmental agenda that the bureaucracy appeared to pursue—that of industrialisation—the lack of a stable political base meant that whereas statebuilding task was accomplished a great deal, it was at the cost of nation-building. The military also increased its influence on policy-making during this period, particularly after Pakistan joined the CEATO and CENTO military alliances. Thus a number of commentators have characterised the state structure being dominated by a ‘bureaucratic-military oligarchy’.

In terms of the bureaucratic structure, the most far reaching change brought about soon after partition in Pakistan was to abolish the provincial cadre. Thus emerged a centralised bureaucratic structure, which theoretically speaking may have been more efficient, but was also less accountable to politicians and thereby to the electorate. The centralisation of the bureaucracy was given further fillip by the centralisation of the political structure itself in the mid-1950s through the institution of the One Unit.¹⁰ The upper echelons of the service remained virtually unchanged. The ICS was renamed the Civil Service

¹⁰The federal character of the state was altered to abolish provinces in West Pakistan to create ‘parity’ between the eastern and western wings of the country.

of Pakistan (CSP) and the functional character of the Pakistan Civil Service was also inherited without any alteration from the All India Civil Service.¹¹

The Ayub and Yahya Periods: 1958–71

The ‘bureaucratic-military oligarchy’ remained at the helm of the affairs for the entire decade of the 1960s. The military takeover of 1958 provided the bureaucracy enough space to take control of the policy-making process. The bureaucracy played an important role in crafting a restrictive political environment prevalent at the time.¹² There were three important avenues through which bureaucratic control was strengthened during this period.

First, the bureaucracy was able to insulate itself from political interference by acquiring constitutional protection in the 1962 constitution. Moreover, the Basic Democracies system (hence BD) was structured to enhance bureaucrat powers at the local level over and above the politician [Cheema, *et al.* (2004)]. With a centralised bureaucratic structure in place, this allowed the bureaucracy to manipulate the political process at the local level.

Second, the interventionist model of development pursued at the time meant the CSP cadre was at the centre policy formulation and execution process [Nadvi and Sayeed (2003)]. Individual bureaucrats were also in a position to enrich themselves through the large rents created in the manufacturing sector [see Nadvi and Sayeed (2003)]. This created a stake amongst the bureaucracy as an institution to continue with the economic policies pursued at the time, in spite of its deleterious impact on distribution of resources both across income groups and across regions.

Third, as a consequence of the over-arching dominance of the CSP in the administrative system the issue of ethnic domination and interlocking ties amongst bureaucrats themselves and between the bureaucracy and the leading business groups came to the fore. Representation of Bengalis in the civil service—particularly the upper echelons—was miniscule, especially in comparison to their population share. On a more sinister note, by the late 1960s the bureaucracy was seen as having acquired tremendous social and economic power through interlocking relationships with other élite groups in society. Sayeed (1980, p. 73) describes the extent of such interlocking:

In the years 1965-66, the secretary of foreign affairs, Pakistan’s ambassador in Washington and the secretaries of Home and Kashmir

¹¹Functional categories inherited by the Central services were: foreign service, accounts, customs and excise, military lands and cantonments, information service, trade service and the central secretariat.

¹²See Ahmad (2000) for further details on the bureaucracy’s role in political manipulation in Pakistan.

Affairs and the Economic Affairs Division were related. Similarly, some of the senior civil servants were linked by family ties to members of the military hierarchy. And civil service, military and business hierarchies were becoming interrelated through new matrimonial ties.

In terms of our model, the period of the 1960s shows that some important conditions outlined in Section 1 during this period. In a relative sense, the Ayub regime had a more clearly defined objective function. Economic development and repression of the political process were the principal objectives. The bureaucracy was centralised and the political process did not display any overt signs of clientelism [Sayeed (2002)]. With regard to monitoring and accountability of the bureaucracy, the results seem mixed. While the bureaucracy was paid well during this period, it is not clear whether bureaucratic malfeasance was being detected and sanctioned. However, the corporate ethos of the bureaucracy (especially the CSP) as well as the lack of evidence of pervasive corruption means that this condition was more or less met. The bureaucracy however was not accountable as such to higher level political leadership and in that sense its character of a colonial bureaucracy had not fundamentally altered.

The Bhutto and Post-Bhutto Periods

Zulfikar Ali Bhutto's 1973 Administrative reforms mark a major structural break in the institutional development of Pakistan's civil bureaucracy. Key changes brought about by these reforms include:

- The removal of constitutional protections, specified by the 1962 Constitution, which granted protection to the civil bureaucracy in relation to remuneration, as well as for appeals against a disadvantaged alteration or interpretation of rules affecting the terms and conditions of service [World Bank (1998)]. Elaborate Constitutional safeguards provided for members of the CSP cadre pre-1973 reduced political control over this cadre and somewhat insulated the bureaucracy from political interference. The removal of these constitutional protections meant that bureaucratic protection was left to the terms and conditions of service defined by organic law and spelled out by the Civil Servants Act, 1973 and the rules framed under it.
- “The CSP, the lineal descendent of the ICS cadre, was abolished” [Shafqat (1999)]. Instead, members of the CSP cadre were regrouped into the newly created District Management Group (DMG), Tribal Administration Group (TAG) and the Secretariat Group.
- The creation of the All Pakistan Unified Grade System ended the distinction between CSP, PSP and others. This meant that the

approximately 500 CSPs who had stood at the helm of the administrative machinery of over 500,000 members were amalgamated with other cadres into a hierarchical but mobile framework of 22 pay scales, and the separate provision for entry into an élite corps was terminated [Noman (1988)].

- The long-standing practice of reserving posts in the top Federal and Provincial Secretariats for the CSP was discontinued.
- The creation of the Accounts group through the merger of the Pakistan Audits and Accounts (PAAS), Pakistan Military Accounts (PMAS), Pakistan Railway Accounts (PRAS).
- The well-knit hierarchy of the CSP cadre was broken by new provisions that allowed lateral entry and vertical and horizontal movements between cadres [Cheema (2003)]. Zia-ul-Haq used these provisions to institutionalise the induction of armed forces personnel in the civil service. This was done by instituting a 20 percent quota in the Civil Services for the Armed Forces—10 percent to be recruited from grade 17 (i.e. Captain level) and the other 10 percent from Major level and above [Shafqat (1999)].¹³

These provision enhanced political control over the bureaucracy and curtailed the influence of the CSP cadre within the central bureaucracy. “In 1969 CSPs held 93 percent of all posts of joint secretary level and above, however, by 1973 CSPs accounted for only 43 percent of these posts and this number fell to 36 percent by 1982” [Cheema (2003)]. Kennedy (1987) argues that the main beneficiaries of this opening up were members of the army and the Federal Unified Grades. These changes fragmented the internal cohesion of the bureaucracy and ensured that it no longer remained a tight-knit, insulated and exclusive body.

Noman (1988) argues that these reforms not only ensured that the power of the élite CSP became circumscribed but the new recruitment to the bureaucracy became an instrument of political patronage for PPP supporters, which changed the nature of the bureaucracy. There appears to be some evidenced for this in that 17 percent of the lateral entrants recruited in 1973 had not been assigned posts as late as 1975. Furthermore, once General Zia assumed power he dismissed 40 percent of Bhutto’s lateral recruits on grounds of irregular appointments. These examples give a flavour of the importance political patronage had assumed in the running of the bureaucracy during the seventies.

¹³Shafqat (1999) argues that the military officers inducted from the Captain level were placed in seniority above that of officers who entered the service through the process of competitive examination.

The opportunities to use bureaucratic employment as a patronage mechanism also increased during the Bhutto period because of the expansion in the size and purview of the state [Haque and Montiel (1992)]. Noman (1988) shows that as a result of these changes between 1973 and 1977, the Establishment Division accepted 1374 officers into the bureaucracy, approximately three times as many as would have been accepted through the CSP channels.

Imperatives of political control over the bureaucracy during the seventies also fragmented the state structure in key functional areas. For example, political control imperatives *vis-à-vis* financial regulation were achieved by weakening State Bank of Pakistan's (SBoP) regulatory and supervisory role through the creation of the Pakistan Banking Council (PBC), which became the operational controller of banks. The Federal government retained the right to select the members of PBC, and through the PBC it had effective control over the appointments to the boards of individual banks. More importantly, this change fragmented the state structure as the regulation and supervision of financial institutions and banks was shared by three agencies, the Ministry of Finance, PBC, and the SBP, each with overlapping jurisdictions with regard to some important functions. The fragmentation of the state structure was heightened with the proliferation of the number of ministers and ministries, which proliferated after the return of elected governments in 1985 [World Bank (1998)]. This resulted in conflicting interests and perverse incentives associated with a fragmented state structure.

3. THE CONSEQUENCES OF THE BHUTTO REFORMS

Dysfunctionality and Inertia in Rules

The reforms of 1973 interestingly did not alter the processes and procedures of bureaucratic conduct as they remained overly elaborate, non-transparent, and discretionary [World Bank (1998)]. The discretionary nature of these rules heightened the principal-agent problem in the context of the fragmentation of the state structure. This is on account of two reasons. First, the declining internal cohesion and fragmentation of the bureaucracy allowed individual agents greater 'autonomy' to use discretionary powers even if they came at the expense of stated policy. Second, archaic performance measurement procedures, which employed little use of modern technology and lacked objective criteria of 'outcome monitoring', made it harder for principals to obtain 'verifiable' information on bureaucratic performance [World Bank, *op. cit.*, Pakistan (2001)]. These two reasons combined to reduce the efficacy with

which politicians could hold individual bureaucrats accountable and this created room for individual or sectional rent-seeking within the bureaucracy.

The inertia in rules and procedures can be gauged by analysing the effectiveness of key mechanisms of accountability within the bureaucracy. A key formal procedure for internal accountability is the Annual Confidential Report (ACR) system. Recent surveys of internal accountability mechanisms [Pakistan (2001)] show that the ACR continues to give greater emphasis to personal qualities than to setting objective and measurable targets against which performance is assessed. In fact, World Bank (1998) reports that the ACR is also never used to record adverse markings or comments. Similarly, the system of quarterly and annual reports although required by federal government rules of business is said to have become “no more than a ritual” [World Bank, *op. cit.*].

Changes in the Political Structure

There were two important breaks in the 1970s with regard to the development of the political structure that had an important impact on the ‘developmental efficacy’ of the bureaucracy. First, is the electoral success of mass based ‘populist’ parties in Pakistan in the 1970 elections. This development affected the structure of the bureaucracy in two ways. First, populism resulted in the bureaucracy becoming an employment agency through which patronage was dispensed to party-based cadres [Noman (1988)]. Second, Bhutto’s populism resulted in expanding the role of the state quite rapidly, as a result of which the total expenditure to GDP ratio increased from 6.6 percent in 1969-70 to 14 percent in 1979-80 [Pasha and Fatima (1999)]. As mentioned above both these effects resulted in the politicisation of the bureaucracy and reduced its internal cohesiveness and insularity.

The second development was the fragmentation of the political structures that was a result of Zia’s interventions in the political and electoral spheres that aimed to neutralise the presence of organised political parties within the political structure. This was achieved through the establishment of Martial Law that dissolved the elected provincial and federal tiers in 1977 and through the promulgation of the Local Government Ordinances in 1979, which ensured that representation became confined to the local level [Cheema and Mohmand (2003)]. The representative principle was further weakened at the local level because of interventions against political parties.¹⁴ According to Cheema and Mohmand (2003):

This was done through: the disqualification of a large number of candidates with a PPP affiliation in the 1979 local bodies’ elections and

¹⁴According to: Cheema, *et al.* (2004), Cheema and Mohmand (2003).

by holding local elections on a non-party basis. Although non-party elections had been the norm at the local level since independence, nonetheless during this period, they represented an important reversal because mass-based political parties had emerged as important players in the electoral arena since the 1970 federal and provincial elections. These political interventions represented a continuation of the centre's control over local elections and political space (with adverse consequences for electoral competition at the local level).

The effect of the above developments was the capture of the local level by politically mobilised localised clientelist elements now gained at the expense of organised political parties. Zia's decision to exclude political parties from the federal and provincial elections of 1985, which were held on a non-party basis, helped to elevate these local clientelist elements to the higher tiers of the state and these networks ended up capturing significant electoral and political space at the provincial and federal levels. As a result, the 1985 higher tier assemblies emerged as politically fragmented patronage structures.¹⁵ As Wilder (1999) states: "This tendency towards the localisation and personalisation of politics was not muted after the revival of party-based Federal and Provincial Assemblies in 1988 because party organisations had been considerably weakened by measures taken against them during the Zia period".¹⁶ The space created by this weakening of parties was filled by the formation of mobile and fluid local political factions¹⁷ that "linked up with higher political factions and ultimately with parties at the provincial and national levels" [Gazdar (2002)]. Personalisation of politics, weakening of party organisations, and the fluidity and mobility of local vote blocs successfully fragmented the political structure [Cheema and Mohmand (2003)]. The emergence of decentralised clientelist political collectivities coupled with the repeated use of the President's powers, given by the 8th Constitutional Amendment, to dissolve assemblies shortened

¹⁵As one minister put it during the 1985 National Assembly's first budget session, "We don't have one party, or ten parties.....we have two hundred parties. Each member of the assembly considers himself responsible only to himself" [Haq (1985)].

¹⁶The weakening of political parties is exemplified by the manner in which parties allocate electoral tickets and ministries. "The allocation of these key political benefits is more an outcome of individual bargaining between powerful local brokers and party leaders rather than being based on collective decision-making within the political party organisations. This is borne out by the extensive switching of candidates between political parties that has taken place since 1985"[Cheema, *et al.* (2004)].

¹⁷Wilder (1999) provides evidence of heightened electoral competition in Punjab between the major political parties in national and provincial elections since the mid-1980s, which indicates the extent of mobility of the local political factions.

the time horizons of Pakistan's political leadership and individual politicians, which further entrenched clientelist policy objectives at the expense of developmental goals [World Bank (2002); Keefer, *et al.* (2003)].

The Effect of Broader Socio-economic Changes on Bureaucratic Conduct

Another important factor that has eroded the internal cohesion of the bureaucracy is the changing social profile of the bureaucrats. An important mechanism of internal cohesion within the CSP cadre was that a large number of CSPs belonged to either the landed elite or urban professional groups, received education at the same schools and colleges and generally had a shared socio-economic background. For example, Ahmed (1964) and Braibanti (1966) classified approximately 70 percent of those who joined the civil service as belonging to the middle class and another 25 percent as belonging to upper landed classes. An important consequence of urbanisation, the spread of education and the growth of political populism during the late sixties and seventies was that this socio-economic profile underwent significant change. Shafqat's (1999) analysis of socio-economic backgrounds of those who joined civil service during 1987-97 suggests that there has been a major change in the profiles of civil servants. His survey shows that 88 percent of those joining service belonged to the middle class, while only 4 percent to upper landed families. Furthermore, he shows that education has played an important role in access to civil service. This is supported by the evidence that the educational qualification of the average entrant to the civil service has increased. During 1950-60 only 60 percent of new entrants had an MA/MSc, whereas during the period 1987-97 over 75 percent had an MA/MSc. These changes have eroded the class and group basis of internal cohesion as entrants to the civil service are likely to come from diverse backgrounds and schooling systems, which reduces the cohesion of the bureaucracy and makes it more fragmented.

The 'developmental efficacy' of the Pakistani bureaucracy has also been adversely affected by the erosion of the economic and financial incentives of bureaucrats. Recent evidence [World Bank (1998); Pakistan (2001)] shows that an important disincentive in the current bureaucratic structure is the low salary structure. Pakistan (2001) finds that the present compensation packages for all employees are extremely low. The inadequacy of the current pay structure can be assessed by benchmarking the pay package for civil servants against pay packages received by private sector agents with the same experience profile. World Bank (1998) makes such a comparison at the level of Senior Federal Secretary, with the comparison category being the Managing Director (MD) of a domestic corporation. They find that after monetising all the benefits and

adjusting for job security, the pay package of a senior federal secretary is half of what is earned by an MD in a domestic corporation. Pakistan (2001) reaffirms this finding and in addition points out that the “problem of low wages is further exacerbated by limited availability of official accommodation and other facilities. Many officers end up paying almost their entire salary for house rent”. The low salary structure, in turn, leads to low morale, poor performance and sets incentives for heightened corruption. There could also be second-order effects of low pays, which have not been empirically measured for Pakistan, such as, non-corrupt individuals opting out of the civil service because of the dysfunctionality of the salary structure.¹⁸

Changes in the Bureaucratic Structure and Its Impact

Institutional reforms instituted by Bhutto, socio-economic changes, and the changing nature of the political structure have had a number of adverse consequences for the ‘developmental efficacy’ of Pakistan’s bureaucracy. First, the fragmentation of the political structure and the entrenchment of clientelist coalitions has created a disjuncture between the existing objectives of Pakistan’s state managers and the broader requirements of developmental policy that focuses at a minimum on the efficient provision of public and merit goods [Keefer, *et al.* (2003)]. During the eighties this has resulted in the civil service being used as a patronage mechanism for the employment of clients of various political groups, with the late eighties to mid-nineties witnessing a very fast growth in the size of the provincial civil service [World Bank (1998)]. More importantly, the use of the civil service as an employment bureau has created a dysfunctional mix of personnel within the civil service, with approximately 71 percent of the civil service personnel being concentrated in the BPS 1-7 category (accountants, clerical staff). Against this, the proportion of the officer cadre BPS 16–22 is extremely small at 9.8 percent [World Bank (1998)].

More importantly, the declining insularity of the civil service and the fragmentation of the political structure have led to the politicisation of the bureaucracy. World Bank (1998) finds that examples of politicisation include: excessively frequent contact of politicians with the local staff by undermining the hierarchical structures of decision-making; the development of patron/client relationships under which public servants owe their loyalty to particular politicians rather than to their hierarchy in the public service; and the induction of unqualified mid-career appointments through the use of the lateral entry system. This tendency has assumed a new dimension since the military coup of

¹⁸ We further discuss this issue in Section 4.

1999. A much larger contingent of retired and serving military personnel have been inducted in the bureaucracy during this period than at any other time in the past. Between October 1999 and September 2003, a total of 1027 military personnel were employed in the civil service and semi-autonomous state corporations. Of these 276 were appointed in senior positions (Grades 20-22).¹⁹ This ‘militarisation’ of the bureaucracy has not only further intensified the issue the fragmentation of the bureaucracy but has also significantly affected the criterion of merit-based recruitment.

The authority of the bureaucracy has also been weakened through the use of provisions allowing horizontal and vertical movement of bureaucrats across cadres. This became an important mechanism for shedding bureaucrats who refused to play ball and was used by all political managers of the state since the 1970s. The most important adverse consequence of politicisation has been that the stability in the framework of rules and regulations has been undermined. For example, most decisions related to tax policy are taken by bureaucrats through SROs by passing parliament [Pakistan (2001)]. In many departments there is a tendency to change the rules for eligibility of promotion a few months before the meeting of the promotion board in order to favour political clients [World Bank (1998)]. The power to relax rules has been widely used to legitimise decentralised patronage by individual members of the executive and these powers in many cases do not require the prior approval of even the Cabinet [World Bank (1998)]. The politicisation of the bureaucracy has resulted in eroding the rule-based nature of the Pakistani bureaucracy, which has lowered the cost of bureaucrats being captured by clientelist politicians, increased the probability of collusion between bureaucrats and fragmented clientelist networks and has undermined formal mechanisms of merit based recruitment and accountability.

The combination of a fragmented clientelist polity and a fragmented state structure has shortened the time horizons of state officials. The ability of officials to retain key posts has come to be based on political influence and not on an objective set of institutional rules. Similarly, appointments and promotions are no longer based on well specified ‘rules’ but on the ability of individual officials to sustain political protection. It is, therefore, rational for officials to accommodate ‘clientelist patrons’ offering the highest short-term payoffs, even if this means undermining ‘rules’, policy objectives and social welfare.

¹⁹This information is excerpted from information provided to the Senate of Pakistan by the Establishment Division, reported in “1,027 army officers working on civilian posts”, *Daily Dawn*, September 27, 2003.

4. AN APPRAISAL OF RECENT EFFORTS AT BUREAUCRATIC REFORM: THE MUSHARRAF REGIME AND AFTER

Since the military coup of 1999, bureaucratic reform has come on the agenda more explicitly. A number of committees were formed within the government for this purpose. Other governmental initiatives, specifically the Devolution Plan, also had far reaching implications on bureaucratic structure. Conceptually, these reforms can be categorised as addressing three elements given below.

(i) Reforms to Enhance Bureaucratic Monitoring and Accountability

The Musharraf regime's Devolution of Power Plan (2000) operationalised through local government ordinances (2001) in all four provinces is a far reaching reform that has the explicit objective of enhancing bureaucratic accountability at the district level.²⁰ First, as a result of this plan provincial line departments that were only indirectly accountable to the provincial political tier have been placed under the authority of elected nazims at the district level. As Cheema and Mohmand (2003) show that "this has significantly empowered the local-level elected tier, at least on paper, and created a new form of accountability for the provincial line departments". Second, the concentration of power in the hands of the old Deputy Commissioner (DC) has been diluted by stripping the new District Coordination Officer's (DCO) office of the executive magistracy, revenue and law and order functions. The new DCO's office on paper "only retains the administrative and coordination functions associated with the old DCs office" [Cheema and Mohmand (2003)]. Furthermore, the DCO—the head of the district under the current system—reports directly to the elected nazim rather than to the provincial secretaries. Bureaucratic accountability is expected to increase in the current system for two reasons. First, local level bureaucrats report directly to local level elected politicians, which is expected to reduce monitoring and information costs. Second, electoral accountability is expected to increase at the district level because the new system has brought government closer to the people in "an electoral sense with the population per elected representative being much smaller at the district and union level than at the level of the higher tiers of the state" [Cheema and Mohmand (2003)].

In short, devolution is expected to increase politicians' accountability *vis-à-vis* the electorate, which, in turn, is expected to increase local politicians' incentives to both adhere to developmental objectives and to monitor

²⁰This reform is described in detail in Cheema and Mohmand (2003) and Cheema, *et al.* (2004).

bureaucratic performance. Equally importantly by lowering the politicians' costs of monitoring the provincial bureaucracy devolution is expected to increase the ability of politicians to hold the provincial bureaucracy accountable.

However, a number of social, political and systemic impediments, discussed below, continue to mute the politicians' ability to hold the bureaucracy accountable. Furthermore, these impediments also appear to mute district politicians' electoral accountability, which, in turn, reduces their incentives to both adhere to development objectives and to hold the bureaucrats accountable if they diverge from these goals.

First, it appears that the military's choice of holding non-party and indirect elections at the local level [for details and reasons see Cheema and Mohmand (2003)] appears to have reproduced old clientelist hierarchies within the district polity. For example, Manning, *et al.* (2003) find that 30 percent of district nazims in the Punjab were former MNAs or MPAs, and approximately 90 percent belonged to established political families. This suggests that the *a priori* expectation that politicians' electoral accountability will be enhanced because of devolution is by no means self-evident. In turn, this implies that old clientelist objectives may continue to dominate politics in many districts, which will only reinforce the reproduction of many of the old anti-poor distortions in public service delivery.

Second,²¹ it appears that the local level politicians' ability to hold the provincial bureaucrat accountable is muted by the provincial secretariats retention of important powers that constrain the autonomous functioning of the district government *vis-à-vis* the provincial line bureaucracy. For example, under the current system most "DCOs and EDOs continue to be a part of the federal and provincial cadres and all decisions regarding promotions and transfers are taken by their provincial secretariats". The retention of these powers by the provincial bureaucracy appears to be creating significant obstacles for district politicians in their attempt to hold the provincial bureaucracy accountable. Furthermore, retention of personnel functions by the provincial secretariats, in addition to muting the district nazims ability to sanction individual bureaucrats, mutes their *de jure* power to determine the employment level of bureaucrats at the aggregate budgetary level.

Lastly, in spite of devolution the rules, procedures and mechanisms of bureaucratic accountability continue from the past. For example, the key formal procedure of internal accountability remains the ACR (with all its contingent problems discussed earlier) and the current system remains devoid of mechanisms to measure output based bureaucratic performance. This suggests

²¹This point draws heavily on Cheema and Mohmand (2003).

that it is unclear whether the costs of obtaining verifiable information on bureaucratic performance has been lowered for politicians.

(ii) Reforms to Enhance Incentive Compatibility

In order to enhance incentive compatibility *The Pay Award Committee*²² and the TAFTA (2001) have both recommended a pay and pension increase, with fully monetised salary packages for bureaucrats. The idea is that higher salaries will increase incentives for bureaucrats to put in effort. TAFTA (2001) clearly suggests that “focusing attention on people (transparent and competitive recruitment, training, *salaries*, accountability)...is a step in the right direction for eliminating the menace of corruption in any organisation in general, and tax administration, in particular” (emphasis added). It further goes on to emphasise that the current “compensation system ...does not provide a living wage for most employees”.

As pointed out in Section 1, pay reforms offer positive effort incentives in so far as: (a) politicians have an interest in aligning bureaucrats’ incentives to coherent goals; (b) politicians have the ability to monitor bureaucrats efficiently; and (c) politicians have the ability to sanction ill-performing bureaucrats. We have shown earlier that there is no *a priori* expectation in the current system that these conditions will be met given both the structure of politics and the design of administrative rules. Furthermore, no reforms have been undertaken that aim to deliver measurable improvements in the probability of detecting bureaucratic free-riding. In particular, without a reform of the terms and conditions of civil service employment ‘rules’ and internal disciplinary procedures, which continue to persist from the old system, there is no likelihood that the cost to politicians of monitoring, sanctioning or even dismissing corrupt or shirking bureaucrats is likely to fall. Unless these systems are changed, pay increases alone are unlikely to improve effort and reduce corruption substantively.²³

(iii) ‘Right-sizing’: Reforms to Improve the Bureaucratic Structure

Another area of reform that has been floated is that of right-sizing of the bureaucracy so that problems of over-staffing (and the consequent practice of using the government as an employment exchange) and the lopsided structure of

²²Discussed in Khan (2001, p. 23).

²³In many cases, bureaucratic powers are so large and the resultant rents to be accrued from the exercise of these powers are so high that fiscally feasible pay increases will not reduce the opportunity cost to indulge in rent-seeking. Some compatibility with salaries and perks in the private sector, however, is desirable if competent and professional individuals are to be attracted towards the new civil service.

the bureaucracy (which is regarded as too bottom heavy) is corrected. The Report of the *Committee on Restructuring and Right-sizing of the Federal Ministries and Divisions* [henceforth Pakistan (2001)] is the newest and most comprehensive document which sets out the parameters for this particular reform effort.

The Report is based on asking 30 of the 34 federal government divisions to formulate their own mission statements on the basis of which they were asked to recommend right-sizing and restructuring in their respective ministries. It is not clear what the status of implementation of this Report has been to date. Nonetheless, there are a number of conceptual problems with it. First, the report deals only with the Federal Government whereas seventy percent of the employment is generated by the provincial governments, with critical service delivery functions at that level and below. Without an adequate plan or proposal for restructuring/right-sizing at that level, any exercise for right-sizing will be incomplete.²⁴

Second, without the Federal government itself explicitly defining its own objectives, the exercise of seeking a mission statement from individual ministries is violative of criterion (a) of the model in Section 1.²⁵ Some conception of the overall structure with respect to the three tiers of the government is also required if “staffing changes are to be focused at the appropriate locations”. [Khan (2001), p. 20].

Third, Pakistan (2001) has emphasised on down-sizing of lower level staff to correct the lopsidedness in the structure of the bureaucracy. The report recommends cutting down approximately 40,000 out of 135,000 posts in grades 16 and below. This may be a necessary condition to improve the balance of the civil service as well as send the signal that the bureaucracy is not an employment exchange. However, it is not a sufficient condition. For improvements in governance and service delivery, it is equally important that capacity constraints, in terms of requisite skills and training, in the upper echelons of the bureaucracy (Grades 21-22) are also addressed.²⁶ This may entail that sufficient pruning of higher level bureaucracy is also undertaken. Fourth, the procedure for right-sizing adopted in practice over the last decade and endorsed by Pakistan (2001) concentrates on voluntary golden handshakes. This has created adverse selection problems as those who are more competent and can command a high premium for

²⁴To our knowledge, no such coordinated effort has been undertaken as yet.

²⁵This is important as the efficacy of the particular ministry or division itself has to be explicated by the executive branch of the government. For instance, if a particular ministry is altogether not needed then the present exercise is redundant, at least for that ministry/division.

²⁶Several senior bureaucrats interviewed on this issue stated that there are no more than 40-50 individuals of requisite capacity and “even their skills and training were often inadequate for the tasks they needed to perform”. [Khan (2001), p. 20].

their skills in the private sector tend to opt for the golden handshake. The less competent ones continue with the security of a government job.

Last, but not the least, is the issue of political resistance to right/down-sizing. For the last decade, successive governments have been aware of the uneven structure of the bureaucracy and the consequent need for reducing its strength, particularly at the lower echelons. However, evidence suggests that not much has been accomplished so far. Constraints in down-sizing for political governments is understandable, especially in a country with a long tradition of preference for state employment.²⁷ But the fact that the military government itself did not even demonstrate the requisite intent of down-sizing the provincial governments goes to show that even a praetorian government was not immune to the risk of the political backlash—in this case on its legitimacy rather than the electoral calculus that afflicts politicians—that it may have encountered.

CONCLUSION

This paper has attempted to contextualise the decline in bureaucratic conduct within the broader parameters of the historical legacy of colonial inheritance as well as socio-political changes that have occurred, especially in the last three decades. While the bureaucracy was a coherent institution in the pre-1970 period, its élitist character and its lack of accountability meant that its remit was far beyond its core function—i.e. that of an intermediary between politicians and the electorate.

Bhutto's reforms broke the steel frame of the bureaucracy. The structural changes brought about in the laws governing the civil service as well as changes in the society and polity continue to prevail in today's Pakistan. Some of the key changes in this respect need to be reiterated:

- *Declining Insulation of the Bureaucracy.* The declining internal cohesion of Pakistan's bureaucracy, an outcome of the breakdown of *informal* social, class and educational networks that had controlled the bureaucracy prior to the seventies reforms, eroded the insulation of Pakistan's bureaucratic structure.
- *Fragmentation of the Bureaucracy.* The imperative of political control set incentives for the creation of fragmented agencies with overlapping jurisdictions and that this process took root after the 1973 reforms.
- *Distortions Created by Dysfunctional and Inert Rules.* The persistence of dysfunctional rules made it difficult for principals to obtain 'verifiable' information on bureaucratic performance and this heightened the principal-agent problem within the Pakistani bureaucracy.

²⁷Wilder (1999) demonstrates that the state sector employment is a priority demand from the electorate at the time of elections.

- *Erosion of Salaries.* While there has been an increase in the size of the state since the seventies this has been matched by erosion in the real salary benefits for both higher and lower level bureaucrats.
- *Rise of Politically Fragmented Clientelism.* Finally, the Zia period resulted in the proliferation and entrenchment of fragmented clientelist networks that came to dominate both political parties and the wider political process.

The consequences of the 1973 reforms for bureaucratic development can be analysed through the lens of the logical model given in Section 1. It is clear that since the 1970s, condition (c) of the model that requires efficient bureaucratic monitoring and accountability has not been met. First, declining salaries in real terms ensured that bureaucratic incentives were no longer ‘incentive compatible’. Second, dysfunctional and inert ‘rules’ raised the cost of acquiring ‘verifiable’ information regarding bureaucratic performance and outcomes. In turn, opaqueness of information combined with an inefficient judicial system raised the cost of sanctioning ill performing bureaucrats. This process was reinforced by collusive arrangements between powerful political patrons and bureaucrats.

The rising dominance of political clientelism combined with new ‘rules’ defined by Bhutto’s reforms reduced the degree of insulation of the bureaucracy, which violated condition (d) of the logical model. Finally, the efficacy of the political process in establishing operational objectives consistent with a coherent agenda had declined because of the proliferation of clientelism, which resulted in powerful individual ‘political patrons’ following goals that created redistributive benefits for clients, such as granting state employment, rather than pursuing developmental public goods [Keefer, *et al.* (2003)]. This meant that condition (b) of the model was also being violated. Therefore, it is not surprising that the efficacy of Pakistan’s bureaucratic structure has been declining since the seventies given that these three essential conditions for the efficient functioning of the bureaucratic structure were not being met due to changes in ‘rules’ brought about by Bhutto’s reforms and due to changes in Pakistan’s political structure. All these factors have meant that as the structure and conduct of bureaucracy stands now, rather than being an agent for change, the bureaucracy can be reasonably categorised as an impediment to pro-poor change.

There are important lessons to be learnt from the Pakistan’s chequered political history. An over-powering bureaucracy with no accountability—as in the pre-1970 period—is incompatible with the existent level of political mobilisation that prevails in the country. It is also not desirable to the extent that its complete disregard of and animosity for representative politics means

that its conduct will always lack ownership and legitimacy. The Bhutto reforms had the effect of throwing the baby out with the bath water. A rules-based bureaucracy with a certain degree of security of tenure is thus required, but one which is appropriately accountable for its conduct to a sovereign parliament and an impartial judiciary. Although the élitism of the past is no longer possible, it is important that a well-knit structure is created for the bureaucracy to insulate it from political clientelism that it is confronted with presently.

It is important to recall that in the larger scheme of things—specifically for pro-poor change—the bureaucracy is only a transmission chain. Even if efforts in creating a competent and rules-based efficient bureaucracy are successful (either through design or a magic wand) but the objectives and goals of the state remain anti-poor, it can still create an inferior outcome so far as pro-poor change is concerned as an efficient anti-poor bureaucracy will execute such policies more efficiently. Thus any form of bureaucratic reform will have to be a part of a pro-poor political and economic reform in Pakistan.

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