

# REGULATION AND POLICY SPACE



## Technocracy with Democracy

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Our public-sector enterprises are bleeding cash at a rate of c Rs1.5 trillion a year. In the energy sector alone, we have lost Rs5.5 trillion.

Foreign investment contracts are bungled – Reko Diq and Karkey arbitrations alone resulted in a penalty of \$7 billion. The investigative committee reports have shown a policy capture in sugar that costs billions annually to the taxpayers.

In 2018, Pakistan had the most failed Asian Development Bank projects of any country – totaling seven out of twelve. This inability to perform has a direct financial hit and also an opportunity cost of lower growth rate, which has led us to fall behind countries like India and Bangladesh.

Every government blames this mess on past corruption. Despite several purges, the state-owned enterprises leakages and policy capture merely pile up. So where is the problem?

*Recognize that complex services such as energy, water provision, railways or urban development require a high degree of non-political professional management.*

Some argue that the issue is the choice of the democratic system. A parliamentary government where ministers lack technical or sector-specific knowledge is not as efficient as a presidential one, which allows appointments of best-available technocrats regardless of electability. However, there is no guarantee that the president will not appoint cronies. Argentina changed to a presidential system in 1994, and even after 25 years the improvement in governance has been marginal.

In any case, changing the structure of the constitution is virtually impossible. What we need is to fine-tune the way the government is run to deliver better public-sector performance.

Recognize that complex services such as energy, water provision, railways or urban development require a high degree of non-political professional management. Note that pre-privatization British Rail, US telecoms AT&T or within the public sector, such as NHS and FEMA, have all been technocracies. They have career professionals at the highest level, who exercise administrative powers to operate the services; importantly, these persons have the requisite education and expertise to actually run such operations. Bureaucracies that ‘run things’ are technocracies.

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Therefore, if bureaucracies are to exercise administrative power, what is the function of ministers?

In Pakistan, we associate power with administrative authority, which is seen as the ability to hire or fire. Therefore, all centres of authority, including the cabinet, demand administrative authority over their respective departments since this represents power. In advanced economies, the role of the ministers and cabinet is policy formulation and maintaining oversight.

Ministers have a disdain for ideas or strategy as tools to influence change. Processes and performance evaluation systems are harder to use than direct control and ordering about. Hence, ministers seek direct power by exercising administrative authority to re-shape technocratic departments primarily through political appointments, depleting the bureaucracy's technocratic capability to deliver services. This has destroyed public service delivery organizations such as PIA, Pak Railways, irrigation etc.

Good governance requires the separation of ministries from regulation and service delivery. All three are separately and autonomously staffed with professionals. The ministry must professionally monitor regulation and service delivery and report to the minister, and through her the cabinet and parliament. All direction to the regulation and service delivery should be through policy and performance evaluation. Politics, especially politically motivated hiring, should not be allowed into any of the technocratic areas.

In the proposed framework, ministers are not CEOs, rather acting as chairpersons of their departments, setting and communicating strategy, overseeing implementation through evaluating performance of the management. When ministers wield the administrative authority of a CEO, as they currently do, it creates the dysfunction of a non-technocratic parliamentarian taking decisions on operational matters which require technical expertise and knowledge.

If ministers' purpose is to provide guidelines as per cabinet decisions and undertake performance evaluation of the bureaucracy, then ministerial technical domain expertise becomes redundant. In support, many board members of global well-run corporates do not have relevant industry expertise, yet discharge oversight extremely well.

Parliament envisions the policy direction by enacting laws. The cabinet and its committees like the ECC, ECNOC, CCoP are responsible for strategy setting. The background technical work and oversight of these decisions have to be done by ministries through collection and reporting of data on regulation and service delivery. The website of no ministry has such reports because everybody is busy running things.

Allocating the scope of authority as per principles of good execution avoids a scramble for administrative power by different segments of the government, which creates dysfunction and leads to the inefficiency of the parliamentary system.

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According to Harvard Professor John Kotter, 70 percent of change projects fail to achieve objectives. Transforming our governance system to the presidential form does not guarantee change. Doing nothing is also not an option.

The least disruptive way forward is to implement in spirit our well-defined Rules of Business, which lay out the boundaries of authority and responsibilities for each arm of the government. This is done by following the principle that democratic representation of parliamentarians does not automatically translate into an authority to make administrative interventions and can be better utilized through their strategy setting, oversight and performance management of technocratic bureaucracies. Then our state organs can have the clarity and capability to deliver good public-sector performance that is demanded by its citizens.