

Pakistan: Democracy or Road to Riches?

Pakistan recently elected politicians who are expected to run the government democratically and to improve the economic conditions of the people and of the country. Is that what will happen, or will recent elections simply provide a way for the most recently elected officials to get rich at the expense of the people? An article in *The Economist* (Feb. 23- 23, 2008) stated that since Musharraf did not rig the Feb. 18 election, that “Pakistan’s politicians have a chance to break the cycle in which corrupt, incompetent civilian governments are usurped very few years by corrupt, incompetent military governments.” However, the article also claimed that at least 30 percent of Pakistan’s economic aid from the U.S is still missing.

So does Pakistan face a future in which, instead of a few military generals and their cronies getting rich, hundreds of politicians and their sycophantic relatives and friends get rich? Will the cycle of corruption break or will it continue? History suggests that Pakistan will continue on a path to its own destruction. I hope I’m wrong.

Each past government has claimed to bring better economic conditions and eliminate corruption. These claims started with Ayub’s regime and have continued through Musharraf’s era. Did any of these governments improve the economic well-being of the people and eliminate corruption in the country? The Transparencies International (TI) and other independent agencies measure corruption (CPI – Corruption Perception Index) around the world. The index defines corruption as the abuse of public office for private gain and measures the degree to which corruption is perceived to exist among a country's public officials and politicians. According to the TI’s measurement, Pakistan ranks as follows:

Year	Rank(percent)	CPI Score
1980-85	-----	1.5
1988-92	-----	1.9
1995	36/ 38 (95)	2.3
1996	53/ 54 (98)	1.0
1997	45/ 52 (86)	2.5
1998	71/ 85 (83)	2.7
1999	87/ 99 (88)	2.2
2000	Not Available	
2001	79/ 91 (87)	2.3
2002	77/102 (75)	2.6
2003	95/133 (71)	2.5
2004	129/145 (89)	2.1
2005	144/158 (91)	2.1
2006	142/163 (89)	2.2
2007	138/179 (77)	2.4

The first number under the rank is the rank of Pakistan and the next number is how many countries were ranked. The number in the parenthesis is the percent rank of Pakistan among the countries ranked. Pakistan is ranked within the 80th percentile among all countries and has never improved its ranking in the last 27 years. It has constantly

received only two out of a possible ten points (with ten being the least corrupt and one being the most corrupt). With a record like this, there is little hope that the newly elected government will do any better.

In fact, corruption is perceived to have gotten much worse over the last 20 years. The results of the National Corruption Survey conducted by TI Pakistan show that regardless of who is in control, corruption has continued.

In Pakistan which Government was/is the most Corrupt?

<u>Prime Minister</u>	<u>Period in Office</u>	<u>PERCENT</u>
Nawaz Sharif	96-99	34%
Benazir	93-96	48%
Nawaz Sharif	90-93	10%
Benazir	88-90	<u>8%</u>
Total		100

Perception of Corruption of Musharraf’s Government (Percent)?

<u>President</u>	<u>Period in Office</u>	<u>PERCENT</u>
Musharraf	99-02	33%
Musharraf	02-06	<u>67%</u>
Total		100

Source: Transparency International Berlin and TI Pakistan 2006

Interestingly, the government that is re-elected becomes more corrupt. For example, Nawaz’s corruption index went up from 10 percent (1990-1993) to 34 percent (1996-1999); Bhutto’s, from 8 percent (1988-90) to 48 percent (1993-1996); and Musharraf’s, from 33 percent (1999-2002) to 67 percent (2002-2006). Is there a message? It is obvious.

A recent survey does not indicate any improvement. Pakistan is among the most corrupt countries, sadly worse than India, as shown in the table below.

Countries most affected by bribery

Quintile	Countries/Territories
Top quintile: More than 32%	Albania, Cambodia, Cameroon, FYR Macedonia, Kosovo, Nigeria, Pakistan, Philippines, Romania, Senegal
% of Respondents 18 – 32% reporting they paid bribe to obtain a service	Second quintile: Bolivia, Dominican Republic, Greece, India, Indonesia, Lithuania, Moldova, Peru, Serbia, Ukraine
	Third quintile: Bulgaria, Croatia, Czech Republic, Luxembourg, Malaysia, Panama, Russia, Turkey, Venezuela, Vietnam
	Fourth quintile: Argentina, Bosnia-Herzegovina, Finland, Hong Kong, Ireland, Portugal, South Africa, Spain, United Kingdom, United States
	Bottom quintile: Austria, Canada, Denmark, France, Iceland, Japan, South Korea Less than 2% Netherlands, Sweden, Switzerland

Source: Transparency International Global Corruption Barometer 2007

Also, there is little hope for improvement as majority of people in Pakistan think that corruption will either get worse (59 percent) or stay the same (30 percent) as indicated by the TI survey in 2007 as follows:

Percent of Respondents who think that in the next three years corruption will

Country/Territory	Decrease	Stay the same	Increase
Asia Pacific	15%	21%	64%
Cambodia	38%	19%	43%
Hong Kong	17%	48%	34%
India	7%	4%	90%
Indonesia	22%	18%	59%
Japan	9%	30%	61%
Korea, south	34%	19%	47%
Malaysia	18%	19%	63%
Pakistan	11%	30%	59%
Philippines	19%	2%	79%
Singapore	38%	30%	32%
Thailand	25%	9%	66%

To What Extent Do You Perceive the following sectors in this country/territory to be affected by Corruption?

(1. not all corrupt... 5. Extremely corrupt)

	Heading Code*													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Asia-Pacific	4	3.7	3.3	3	2.9	3	2.9	3.1	3.3	3.2	3.9	3.1	3.1	3.4
Cambodia	2.9	2.6	2.5	2.2	2.6	1.7	1.7	2.5	3.6	2.6	3.3	2.1	1.8	2.8
Hong Kong	3.2	2.7	3.5	3.4	2.4	3	2.4	2.7	2.4	2.4	3	2.1	2.1	2.2
India	4.6	3.9	3.4	2.5	1.8	3.1	3	3.4	3.8	3.3	4.5	3.7	3.3	3.4
Indonesia	4	4.1	3.1	2.5	3	2.8	2.2	3	4.1	2.8	4.2	3.8	3.1	3.6
Japan	4.3	3.8	3.6	3.5	3.2	3.1	3.7	3.3	3	3.6	3.7	2.7	3.1	3.3
Korea, south	4.2	4.1	3.5	3.4	3.2	2.9	3.1	3.2	3.5	3.3	3.5	2.4	2.4	3.3
Malaysia	3.6	2.8	3	2.5	2.2	2.3	1.9	2.2	2.7	2.2	3.7	3.1	2.2	2.3
Pakistan	3.9(6)	3.8(3)	3.4(4)	3.3(4)	3.2(1)	3.6(1)	2.7(4)	3.0(4)	3.5(4)	3.4(2)	4.3(2)	3.9(1)	3.9(1)	4.1(1)
Philippines	3.4	3.5	2.9	2.1	2.9	2.4	1.8	2.5	3	2.5	3.6	2.9	2.6	3.1
Singapore	2.2	2	2.7	2.4	1.9	2.7	2.4	1.9	2.1	2	2	1.9	1.9	1.9
Thailand	4.2	3	3.3	2.7	3	2.8	2.2	2.9	2.9	2.5	4	2.9	2.8	3.1
Vietnam			2.5	2.4		2.5	1.7			3.1			2.8	

- Heading codes : 1. Political Parties 2. Parliament/Legislature 3.Business/Private Sector 4.Media 5. The Military 6.NGOs 7.Religious Bodies 8. Education System 9.Legal System/Judiciary 10. Medical Services 11.Police 12.Registry and Permit Services 13.Utilities 14. Tax Revenue Authorities

The TI found that

- Police, Power, Judiciary and Land Departments are the most corrupt departments, and Taxation, Customs & Health Departments have improved their ranking since 2002

- Bribery or “palm greasing” has become so prevalent in the government that officials openly solicit bribes
- The average cost of bribery per household is Rs. 2,303.

One would hope that at least one government institution would be honest in a country of 150 million people. Sadly, that is not true in Pakistan. As indicated above, most institutions are considered corrupt, receiving scores anywhere from 2.7 (NGO) to 4.3 (police) out of possible 5. (The number in the parentheses is the corruption rank of Pakistan among the Asian countries.) Even the media (3.3)—which is the only hope for exposing corruption if not stopping it—are considered corrupt. The most corrupt institutions in Pakistan are the military, the NGOs, the registry and permit services, utilities, and the tax revenue authority, all of which are ranked number 1 among the Asian countries. As shown above, no department or institution is perceived as exempt from corruption. This includes educational agencies as well as medical services. Pakistani institutions are perceived as among the most corrupt in the world. Unfortunately, there is little hope for improvement as 44 percent of the citizens of Pakistanis have confessed to paying bribes to obtain services. As the table below indicates, many Pakistanis, second only to Cambodians, have paid bribes to obtain necessary government services.

Respondents who paid a bribe to obtain Services

Asia Pacific		22%
Cambodia		72%
Hong Kong		3%
India		25%
Indonesia		31%
Japan		1%
Korea, south		1%
Malaysia		6%
Pakistan		44%
Philippines		32%
Singapore	*	
Thailand	*	
Vietnam		14%

According to the chairman of TI, “The CPI (Corruption Perception Index) has had a salutary impact on national politics in many countries and is increasingly shaping public opinion. While some governments rejected the implicit criticism out of hand, others have acted on it, initiating reforms to strengthen their integrity systems.” He further states that “a measure of lost development opportunities as an empirical link has now been established between the level of corruption and foreign direct investment.” A recent study by Harvard University has found that a rise in corruption levels from that of Singapore to that of Mexico is equivalent to raising the marginal tax rate by over twenty per cent. A one percentage point increase in the marginal tax rate reduces inward foreign directed investment by about five per cent. The chairman of TI stated, “Every day the poor scores in the CPI are not being dealt with, means more impoverishment, less education, less health care.”

According to the *Financial Times* (October 20, 2004), international companies and governments cannot afford to ignore the TI. The annual index, with its table of countries scored and ranked by levels of corruption, has established itself internationally as the most widely used—and probably the most influential—annual corruption indicator. The index should have a significant political impact on a number of countries and should helped people focus on the less-than-excellent state of integrity of their countries. However, this cannot be said for Pakistan. The anger of the Pakistani people over their government's rampant corruption has translated into Pakistan's position as second-most corrupt government in the world (1999 CPI). According to a TI statement “The former Prime Minister Benazir [Bhutto] erupted angrily when the index was referred to in parliament claiming sarcastically that her's was ‘the most honest administration in Pakistan's history’. Only days later Bhutto was dismissed from office by the President whose decision was supposedly based on Bhutto’s wholly irrational response to the index. Ms. Bhutto lost the next election.” However, her outburst may not have been for sure to be a reason for her dismissal, but this does indicate a lack of concern by politicians for the public good and continual embarrassment and looting of the country.

Seventy eight percent of the people do not see any improvement in the future, as indicated below. Fortunately, only Japanese are most pessimistic about their county’s future.

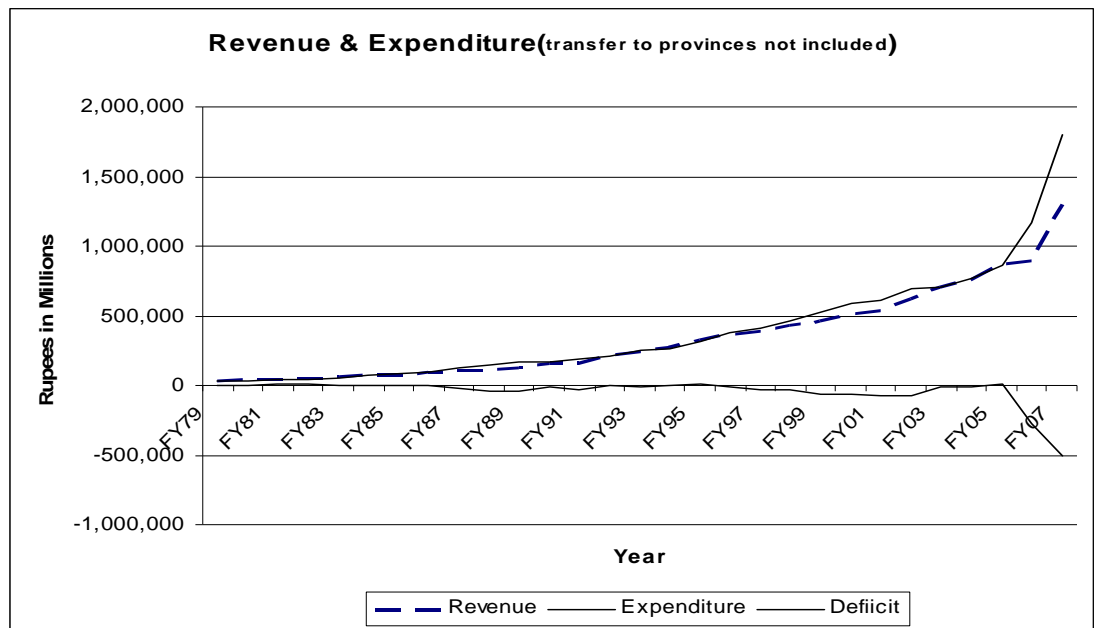
Respondents’ Evaluation of their Government’s effort to fight Corruption

	Effective	Neither Effective or Ineffective	Ineffective
Asia Pacific	24%	14%	62%
Cambodia	29%	27%	44%
Hong Kong	82%	13%	4%
India	25%	7%	68%
Indonesia	37%	16%	47%
Japan	8%	17%	75%
Korea, south	24%	7%	69%
Malaysia	53%	10%	37%
Pakistan	22%	26%	52%
Philippines	35%	2%	64%
Singapore	88%	4%	7%
Thailand	42%	8%	49%

Source: Transparency International Global Corruption Barometer 2007 Report

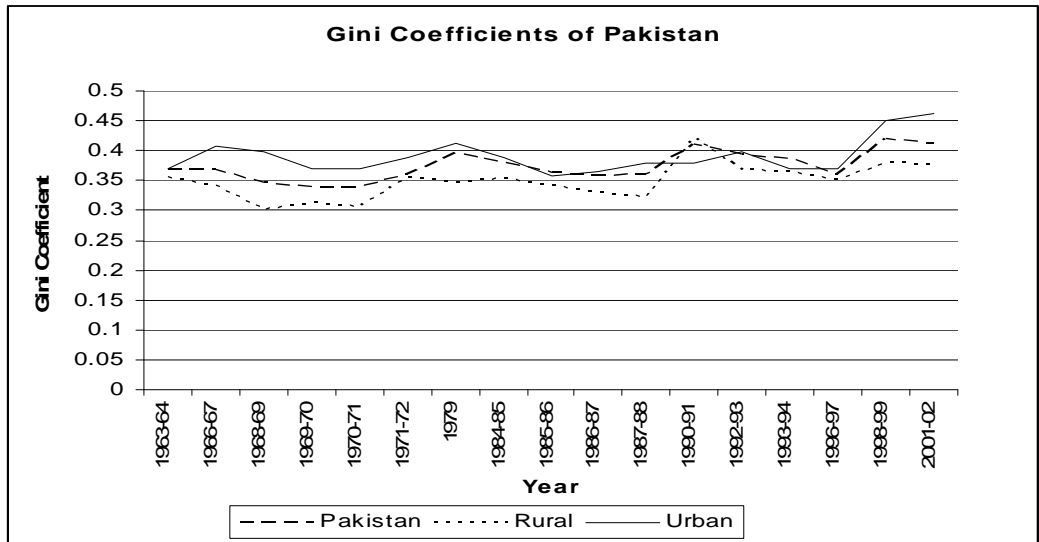
As usual, every new government promises to curtail or stop corruption. For example, the new Prime Minister Gillani announced a 40 per cent cut in the budget of the Prime Minister’s House and a ban on the cabinet ministers’ use of cars powered by more than 1600cc engines. Other measures announced are to limit ministers’ travel to economy-plus class, ban spending on the decoration of government offices and official residences, and abolish special counters for parliament members at airports. However, Gillani did not acknowledge the existence of corruption and did not promise to reduce the government budget, most of which is wasted.

The government of Pakistan has always run deficits (see the graph below) and there is little hope for improvement. In addition, according to the Ministry of Finance, Pakistan has a foreign debt of more than 40 billion dollars, and the debt will continue to accumulate as inflation and the deficit increase. In addition, the government has a domestic permanent debt of 599 billion rupees, a floating debt of 1,343 billion rupees, and unfunded debt of 1,001 billion rupees, for a total debt of 2,944 billion rupees. This comes to 48 billion dollars. This means Pakistan owes 88 billion dollars, compared to a GDP of only 106 billion dollars in 2007. There is no end in sight, and Pakistan could be bankrupt when loans and aid stop.



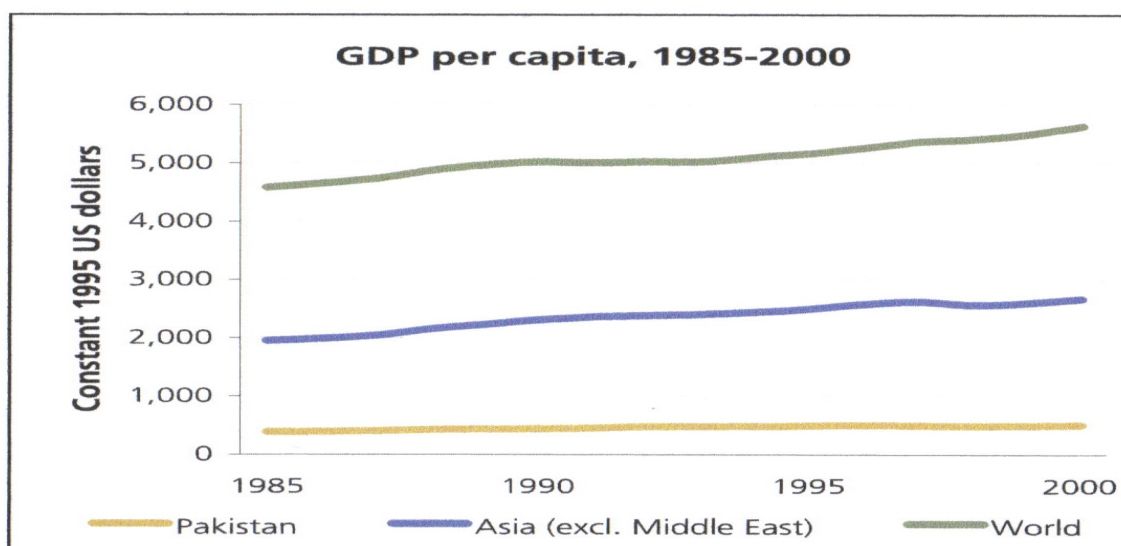
Source: Ministry of Finance, Pakistan

Many developing countries including Pakistan are not paying attention to their corruption index, as long as foreign governments, i.e., United States and its allies continue to loan or give aid. These aids or loans are not meant to help countries in their long-term development but to subsidize their deficits and pay for basic necessities. But these countries continue to spend and ignore long term needs to improve and increase their economic development. The UN Human Development Index — which measures a series of economic and lifestyle indicators — ranks Pakistan 134th out of 177. The Gini coefficient measures inequality of income distribution. Pakistan's Gini coefficient has increased from .3580 to .4129, indicating that the rich have gotten richer and the poor have gotten poorer. The situation is worse in the urban areas, reaching .4615.



The following charts show that the Pakistani GDP in constant dollars is almost flat, and per capita income has barely moved. During the same time, other Asian countries and the world have significantly improved their standard of living, whereas Pakistan has not.





Source: Statistical Division of Pakistan

There is a significant relationship between the TI corruption index and the CPI. In the case of countries with a low CPI score, i.e. countries perceived to be high in corruption, the respondents within these countries felt that corruption had a significant effect on the different spheres of their lives. Also respondents from countries with a low CPI index expected the level of corruption to increase over the next three years. In contrast, respondents from countries with a high CPI score, that is countries where corruption was perceived to be low, did not feel that corruption influenced their lives significantly, and expected corruption to decrease over the next three years.

Correlation between the 2002 Corruption Perceptions Index and the TI Global Corruption

TI Global Corruption Barometer	r
Effects of corruption on personal & family life	-0.36***
Effects of corruption on the business Environment	-0.28***
Effects of corruption on political life	-0.28***
Effects of corruption on the culture and values of society	-0.30***
Expectation about the change in the level of corruption over the next three years	-0.30***

*** p < .001

Obviously, Pakistan has not learnt its lesson and despite many government changes and promises, nothing has changed. Obviously, there is little chance that the situation will change as long the government is handed from military to politicians and back to the military, giving the international community and the public the impression that the new government will do a better job of controlling corruption and improving the lives of the people than did the previous regime. Years pass, corruption continues, and the standard of living deteriorates as each new government blames the previous for the problems. For example, the Gillani government minister Ishaq Dar now claims, "The number of the

poor in the country has increased to 73.5 per cent of the total population from 33.6 percent during the last eight years.” However, the Ministry of Finance states,” An appreciable decline in poverty rates has occurred between 2000-01 and 2004-05. At the national level, headcount decreased from 34.46 percent in 2000-01 to 23.94 percent in 2004-05, depicting a substantial reduction of 10.52 percentage points over this period. In absolute numbers the count of poor persons has fallen from 49.23 million in 2001 to 36.45 million in 2004-05. The absolute fall in poverty headcount in rural areas from 39.3 percent in 2001 to 28.1 percent in 2005 was much higher than in urban areas. However in percentage terms, urban poverty fell by 34 and rural poverty by 28 percent during the period.” The question is: whom should we believe. The government agency which wants to present its government in a good light or the new government which wants to blame the previous government and a year later will claim that it reduced the poverty by using the same numbers. Unfortunately, there is no independent agency keeping an eye on the government agencies.

These statements may or may not be true but they do not tell the whole story. In fact, 5 percent of the population holds most of the wealth of the country. Some of these people are the politicians who have handed power back and forth among themselves and their cronies. That means that the same people continue to get richer as the cycle of corruption continues and Pakistanis elect the same politicians. The question should be: what is this government doing about corruption and for the poor?

Most Pakistanis have given up; they rationalize corruption, claiming that it cannot be controlled. However, my articles published in international journals and in DAWN have presented approaches to minimizing the potential for corruption. If corruption is reduced, economic growth will result and poverty will be reduced. Otherwise, there is little hope for Pakistan and its poor. Let us hope that I am wrong. I will visit this topic every year and will continue to update readers on the status of corruption in Pakistan.