Combating Corruption through Institutional Reforms to Strengthen Economy and Governance: Evidence from Pakistan

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Abstract This article presents a case study of Pakistan with a special focus on the institutional reforms of the newly elected government brought within a short period of time. The study identifies and evaluates only the major reforms in several ministries and departments. The data of this case study is evaluated with the content analysis approach. Findings reveal that a record number of reforms have been introduced in FBR, NAB and Ministry of Interior. Local governments and major government institutions were given additional authority and autonomy which resulted in the decrease of corruption, terrorism and politicization. Findings also confirm considerable changes in e-governance with the launch of technological tools and techniques that eventually facilitated the public and modernized governance. Apart from that, the PM Imran Khan conveyed a positive image of the country to the international community which increased tourism to a greater extent. The findings of this study are significant and pertinent to complementary future scholarship and practice.

Key Words: Accountability, Corruption, Developing countries, Pakistan, Reforms, Transparency

JEL Classification: H30, K42, K40

Introduction

As a matter of fact, no country is immune to corruption. The exploitive use of public offices for personal gain undermines citizens’ confidence in government; making public policies inefficient and purposeless that ultimately destabilizes the economy. Generally, developing nations are more affected by corruption as compared to developed nations, and for this, different countries take different initiatives to curb the curse of corruption. Unlike other developing countries, Pakistan with no exception affected seriously from corruption from the last few decades (F. Khan, 2007) until the newly elected government of PTI came into power. The new government, under the leadership of PM Imran Khan, took substantial initiatives to tackle down corruption and make the delivery of public services transparent by making the institutions stronger and transparent through institutional reforms. Imran Khan, through his political power, brought numerous reforms in several ministries and departments that hugely impacted the overall system. According to Gaspar et al., (2019) “Political will can turn the tide against corruption”,

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while governance reforms are crucial to alleviate corruption and develop the economy (Chappelet, 2016). Such drives of Imran Khan are rapidly moving towards good governance, which is a desirable and advanced form of governance. According to the UNDP report on Governance for Sustainable Development “Good Governance is, among other things, participatory, transparent and accountable. It is also effective and equitable. And it promotes the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources” (UN, 2004); this declaration makes it clear that to ensure good governance corruption has to be eliminated. Also, good governance addresses the present needs of society and assures that corruption is minimized (Singh et al., 2009).

During the conduct of this study, a record number of reforms have been recorded in several public institutions of Pakistan, majorly in NAB, FBR and MoI. IMF’s stance on institutional reforms states that “The chances for success are greater when countries design reforms to tackle corruption from all angles” (Gaspar et al., 2019). The World Bank suggests that “empowering people” is one of the ten ways to tackle corruption (Hunja, 2015).

In Khan’s government, it was noticed that the government’s initiatives have encouraged and empowered people, through several platforms, to raise their voice against any misconduct of the public servants. He brought a large number of reforms in such a short period of time, but they have not been researched before; therefore, it is worth analyzing these reforms and initiatives. The data for this case study is mainly collected from the annual reports issued by the government, news articles and government websites and data banks which is evaluated with the content analysis approach. The findings reveal that these reforms not only reduced corruption but also resulted in plentiful positive outcomes.

The case of Pakistan’s reforms can be a good example for the countries affected by this curse because these reforms brought impactful change to governance and controlled corruption to a considerable level in Pakistan. The case shows that these reforms are successfully launched and implemented which noticeably facilitated the public; it additionally modernized the governance system and professionalized public servants. Most importantly, it minimized corruption and made the system more transparent and citizens-oriented.

Literature Review

The Impacts of Corruption in Developing Countries

Despite the actual exertions being made against corruption, there has been insignificant progress to date in the developing countries. In most of these countries, corruption is widely spread which eventually has become part of the routine life (Hors, 2000). A report published by the Policy Department of the European Parliament shows six broad areas that are affected by corruption in the developing nations, i.e., economic development, income inequality, delivery of public services, state legitimacy, stability and environment (Johnson et al., 2015). The growing academic and policy consensus shows that low-income countries come with high corruption costs (Olken & Pande, 2012).

Impacts on Economic Development

Substantial body of research shows that overall “corruption has negative effects on
economic growth” (Ugur & Dasgupta, 2011). In contrast, good governance, rule of law and quality of regulatory have positive effects on economic growth (Carothers & Gramont, 2011; Khattak et al., 2018). Productivity, local and foreign investment, profitability and growth are negatively affected by corruption (Aidt, 2009; Anoruo & Braha, 2005; Shah et al., 2020) in addition to a negative impact on FDI (Alemu, 2012; de Jong & Bogmans, 2011). According to Mbaku (2019), corruption vandalizes the governing process, public incentives and rights, while it intensifies nepotism and bribery. Hence, the negative implications of corruption are greater in the developing world as compared to the developed.

Impacts on Poverty and Inequality
It is more likely that income inequality will raise if the economic growth of a country is undermined by corruption. According to Gupta et al., (2002), the correlation between levels of corruption and inequality is higher which in turn increases poverty. For businesses and lower-income households the tendency to pay a percentage of their income in bribes is higher. As such, corruption plays a role in a regressive tax because they are supposed to allocate a substantial amount of their income to bribes (Bhargava & Bolongaita, 2003; Chetwynd et al., 2003). In a recent report on corruption by the World Bank Group, shows that corruption endangers inequality and increases poverty (WB, 2020).

Impacts on Public Services Delivery
The quality and volume both are negatively affected the corruption (Johnsen et al., 2015). People in countries with lower-income and higher corruption rates lose trust in public services (Kaufmann et al., 2008). The poor and vulnerable are restricted to access education, health, justice and other public services while the rich have access to these services at the cost of bribery (Chow & Dao, 2013; Mupiganyi et al., 2013). Corruption occurs when the poor and vulnerable segment of the society are asked to pay bribes for their rights to health, education, justice and other basic human rights (Chuah et al., 2020). Thus, the poor are restrained from public services while the rich obtain it at the additional cost of bribery.

Impacts on State Legitimacy
Citizens in a corrupt society lose confidence and trust in the state’s institutions and are less interested to participate in the political process. The correlation between corruption and confidence in government institutions is wider (Anderson & Tverdova, 2003). In addition, it generates a perception among people of “not cooperating” with the state and the security or accountability institutions which in return negatively affect the drive of government against corruption (Tankebe, 2019). In such circumstances, the state loses the trust of the people and its legitimacy is at risk.

Impacts on Stability
Corruption endangers political instability (Chuah et al., 2020). Corruption increases the prospects of conflict and strengthens fragility. Its effects in a fragile and conflict-affected state are particularly detrimental (Gaspar et al., 2019; Le Billon, 2003). If failure to address corruption in a short time in post-conflict situations, it is more likely to contribute to state-fragility (Doig & Tisne, 2009; Le Billon, 2003, 2008). On the other
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hand, controlling corruption will increase the citizens’ confidence in government and its institutions resulting in stability and political development.

**Impacts on the Environment**

Corruption has even negative consequences on our environment. The exploitation of natural resources in a country negatively impacts social, political and economic activities which eventually reduce social spending and increase inequality (Cole, 2007; Welsch, 2004). Policy-making, implementation and stocks of environmental resources are directly affected by corruption while income and economic growth are indirectly affected. According to Tang et al., (2020), regional corruption contributes to environmental pollution that eventually causes environmental degradation.

As a result, corruption has negative consequences for all aspects of life, some are affected directly while others are indirectly affected.

**Reforms-Based Solution to Combat Corruption**

Corruption is not limited to one country, organization or individual, it has affected almost all parts of the world. Thus, it makes it an important issue for the countries, organizations, researchers and world leaders to devise strategies and tools to fight it from different aspects. In this study, the focus is on the governance reforms that can help eliminate corruption as most of the researchers and transparency organizations stress on bringing reforms. Here are a few effectual ways to challenge corruption in developing countries while the context for different countries may vary.

**Streamline Rules and Regulations**

Layers of red tape and bureaucracy not only frustrate citizens’ perception about government services but also facilitate gatekeepers (Beschel et al., 2018). By streamlining rules and regulations, a transparent legal environment is created which not only promotes productivity and efficiency but also condenses the room for discrepancies. Take Georgia for example, the 2003 “Rose Revolution” was quite successful in which the government made it a priority to eradicate corruption through reforms. Policies of economic liberalization resulted to remove red tape and incentives for bribery. The government simplified and rationalized property registration, custom procedures, trade regimes, tax systems and business requirements (Chuah et al., 2020).

**Make the Civil-Service Meritocratic and Well-Paid**

Awarding civil servants for their achievements and promoting them on merit in the ranks can increase the sense of honesty and dedication towards their service. For instance, Singapore, throughout its history, built a professional service that is technically competent, resistant to corruption and always open to improvement (Oehlers, 2007). Moreover, hiring the right people for the right jobs significantly contribute to making the system efficient.

**Promote Transparency in Public Service and Procurement**

Transparency in government transactions including public works, employment, procurement and services is one of the most influential drivers of good governance that efficiently resists corruption (Beschel et al., 2018). Most importantly, information and
communication technologies (ICTs) are not easy to manipulate, they can play an effective role in promoting transparency and making the public services and procurement efficient and cost-effective. Ukraine in 2015 launched an e-procurement system called “ProZorro”, within two years it was handling more than 14.4 billion USD in different contracts. It was saving USD 1.5 billion which was 1.4% of its GDP (Manthrope, 2018).

**Empower Citizens and Accountability Institutions**

To deter, detect and penalize corruption, it is necessary to empower citizens and accountability institutions. It checks and balances the systems and government powers. Fair and competitive elections also empower citizens to impose accountability on politicians; once you have competitive politicians in the government the public officials are also under control. Freedom of the press is another way to undermine corruption and target corrupt politicians and bureaucrats (Chuah et al., 2020). Brunetti and Weder, (2003) state that “countries with more press freedom experience less corruption”.

**Enforce Anti-Corruption Laws and Policies**

Making the judicial system independent, agile and unbiased prevent corruption and stop it at its emergence. The strong judicial system is necessary to support specialized anti-corruption institutions. Take Indonesia for example, the Corruption Eradication Commission (also known as “KPK”) which came into being in 2002, succeeded in arresting high-profile perpetrators and recovered stolen assets; the commission received a high degree of support and trust from the public (Bolongaita, 2010; Schütte, 2012). Another example is of Hong Kong’s Independent Commission Against Corruption (ICAC) which was established back in 1974, has been successfully achieving the resources to fight corruption due to its institutional independence (Manion, 2004).

**The Case of Pakistan under the leadership of Imran Khan**

Decades of corruption, mismanagement and political manipulation have rendered Pakistan’s governance and basic public services to a major extent. Dysfunction and low capacity of bureaucracy and politics have undermined governance. Now it has been more than a year since Prime Minister Imran Khan lead PTI came into power and staged several achievements in different sectors of the country especially through transforming governance.

- First of all, the government established an Assets Recovery Unit to trace and recover unlawful and looted national wealth for which they gave full autonomy to National Accountability Bureau (NAB) and established a special task force which included members from FIA, NAB, FBR, SBP/FMU and experts on white-collar crimes and money laundering.
- Secondly, drafted the local government act for Khyber Pakhtunkhwa (KP), Punjab and ICT to roll-out improved versions of KP’s local government system. It transferred the powers and resources to the village level. This initiative was taken to ensure real devolution at the grass-root levels to provide them more authority and funding.
- Thirdly, it launched a judicial reform program to ensure prompt and impartial disposal of justice in all civil cases within one year for which task forces were created to reform civil laws and criminal laws.
• Under the Federal Board of Revenue (FBR), introduced Devices Identification, Registration and Blocking System (DIRBS) and established the National Targeting Centre (NTC). Stationed scanners at several custom terminals across Pakistan to ensure transparent trade activities. They further established Tax Intelligence Unit (TIU) and Market Monitoring and Intervention (MMI). Alternate Delivery Channel (ADC) is another initiative for a smooth payment of taxes through internet banking.

• Under the Ministry of Planning and Development; within the domain of rules and regulations, budget releasing procedures are streamlined to ensure timely allocation of funds to ministries and departments for their projects. In addition, the Pakistan Bureau of Statistics (PBS) is connected with the Ministry of Planning and Development to make the data collection and presentation more accurate and credible for public and government use.

• In the Ministry of Energy (Power Division), several initiatives were taken in administrative and technical areas for system augmentation and up-gradation to eliminate theft. To resolve public grievances on the spot, open kachahris are conducted each Saturday at the sub-divisional level. Further in this ministry, NTDC telecom and SCADA systems were upgraded; to improve productivity and control in NTDC, Enterprise Resources Planning (ERP) integrated solutions were launched.

• Referring to one of the most important ministries, Ministry of Interior, a huge number of reforms have been introduced and implemented for smooth governance of the ministry. The National Intelligence Committee (NIC) and the National Internal Security Committee (NISC) were established to assist the ministry in crucial areas of internal security; also strengthened the National Counter Terrorism Authority (NACTA). Online and Electronic Visa Regime was commenced for 175 countries to attract more tourists and investors. Eighteen NADRA centers across Pakistan are converted to state-of-the-art centers where one window operations are conducted regularly. Passport facilitation centers are extended to more cities in order to facilitate and bring easiness for the citizens.

• Automated the registration process of IT companies with PSEB in the Ministry of Information and Telecommunication. Created a Joint Council of Administration and Employees’ Union at Associated Press of Pakistan (APP) in order to settle down issues and disputes of the employees under the Ministry of Information and Broadcasting.

• Under the Ministry of Law and Justice, a website “www.molaw.gov.pk” was launched where the public can see 100 years old laws in addition to “pakistancode.gov.pk” to let the public know all the laws and subordinate legislation which address their rights. Pakistan Housing Authority Foundation (PHAF) is made transparent and digitized under the Ministry of Housing and Works.

• Pakistan Railways introduced a live tracking system and provided Wi-Fi facility at major stations; customers can now freely avail tracking facilities through their smartphones. Moreover, discounted and free tickets are allotted to elderly citizens, while this segment of the society was ignored (Ahmad et al., 2018).

• Legal Management Information System (LMIS) and official websites launched for follow-up litigation and effective monitoring under the Ministry of Privatization.
• To facilitate Hajis (Pilgrims), immigration and facilitation is provided at Islamabad Airport while it used to take four to five hours for a pilgrim to clear customs and immigration before and introduced the facility of E-Visa for pilgrims in coordination with the Embassy of Saudi Arabia under the Ministry of Religious Affairs and Interfaith Harmony.
• CPEC is expected to strengthen the overall economy (Ahmad & Mi, 2017; Keyao et al., 2018; N. Khan et al., 2018), therefore, the work on the projects is speeded up.

Hence, there have been many reforms the new government brought, but they were the few mentioned here.

Results
Given are some of the results which have been revealed so far.

Accountability, Transparency and Corruption Control
Accountability institutions and security agencies were highly politicized before; reforms by the PTI government made a huge impact which resulted in the arrest of a large number of high-profile perpetrators. PM further gave authority to the police and other security agencies to take strict actions against the outlaws of the country. Such reforms reduced bribery and corruption to a major extinct in addition to terrorism and extremism that laid the foundations of transparency in several sectors of the country.

Citizens-Focused
Many of the reforms seem to be citizens-oriented. To manage talent is still a challenge for the government and the number of jobs created is less than the demand of the public, but the government has introduced alternative opportunities such as entrepreneurship, vocational training and loan schemes to address the issue of unemployment. The elderly are given special preferences and they are exempted from several types of taxes and tickets for travelling. Hence, the key public services are redesigned around people’s needs.

Lean Operations
The government has realized that much of what they do is based on complex operations which are both labor-intensive and static, so now they have simplified the operation and improved efficiency and effectiveness extensively through the introduction of technological tools during the latest reforms. The services providers are modernized and professionalized in many areas of priority to better serve the public needs and eliminate inefficiencies in the system.

Technological Advancement
Several applications and websites have been launched to implement public policies and programs. It is to ensure that the major stakeholders are considered, consulted and facilitated with the public services promptly. These tools highly contributed to e-governance; they will not only be helpful in planning and decision making but also assure coordination among different agencies, public and private organizations, local and international donors with no exception to international monitoring agencies.
Transfer of Authority and Power

Accountability institutions and security agencies were authorized with more power and resources to let them feel more confident in catching high profile outlaws. Local governments were given power and resources to further transfer it down to the village level. These initiatives were taken to ensure the real devolution at the grass-root levels to provide them more authority and funding. Authority patterns with shared power are necessary for mutual interests and sustainable governance. Through governance, authority and power were incorporated to develop confidence, transparency and accountability mechanisms.

Resources Allocation

FATA was merged with KP province which means that now the people of FATA will have access to the same rights as the people of other provinces. FATA was running under FCR which ended in 2018. Also, Khan is working to give the status of province to South Punjab; as most of the Punjab province budget is spent on central Punjab while the South is deprived of development. Such steps will help to allocate the resources efficiently.

Trust Among Key Stakeholders

It was for the first time that the PM took in trust the political figures, bureaucrats and the military leadership on one page. His political behavior landed him success not only at home but also in foreign relations. The world witnessed that his party, bureaucrats, public and the military are on the same page working together towards a flourishing state. Such unity plays an important role in the smooth delivery of good governance and development.

Opportunities for Further Reforms

Successful launch and implementation of recent reforms indicate that the government is determined to bring further reforms soon; as such, there have been abundant reforms the government brought into action in such a short time. This also indicates that the hope for good governance is realistic as the majority of the educated citizens are optimistic about the change the new PM will bring. In addition, a large number of reforms and initiatives are under process and expected to be executed soon.

Conclusion

The results reveal that the PM Imran Khan, in such a short time-span, brought a huge number of reforms in different ministries and departments to ensure the practices of good governance and fight corruption. These reforms are minor and major in nature while this study only focused on the major reforms. The most important areas for reforms were accountability and transparency for which he gave special powers to NAB and other accountability institutions and security agencies. Such initiatives eliminated corruption, nepotism, extremism and terrorism from the country to a major extent. In addition, several technological measures were taken to make the departments and systems more transparent, efficient and public-oriented; hence it encouraged e-governance and numerous e-services were launched in collaboration with national and international organizations to give free and reliable services to its citizens. Pakistan
under his leadership extensively decreased corruption and crafted a positive image of the country worldwide which was previously associated with terrorism and extremism. Investors and tourists are marching towards Pakistan which means the fruit of good governance is paying off. He further enacted policies that lay down the foundations for good governance.
References


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